

**UNITED STATES AGENCY FOR**  
**INTERNATIONAL DEVELOPMENT**

**STRATEGY FOR THE FEDERAL REPUBLIC OF**  
**YUGOSLAVIA**  
**(SERBIA, MONTENEGRO, KOSOVO)**  
**1999 – 2002**

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The attached Results information is from the FY 1999 Results Review and Resource Request (R4) for the Federal Republic of Yugoslavia and was assembled and analyzed by USAID/Yugoslavia

The R4 is a 'pre-decisional' USAID document and does not reflect results stemming from formal USAID reviews. Additional information on the attached can be obtained from Clinton Doggett, ENI/PCS.

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# **UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT**

## **STRATEGY FOR THE FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA, MONTENEGRO, KOSOVO) 1999 – 2002**

### **I BACKGROUND AND ASSISTANCE ENVIRONMENT**

#### **A United States Foreign Policy Interests**

Stability, democracy and prosperity in the Balkans and South-East Europe represent absolutely central objectives for U S foreign and defense policy today. The risks inherent in continued instability in the region, with implications for the safety and territorial integrity of many countries which border the Federal Republic of Yugoslavia, threaten the stability and prosperity of Europe as a whole. The unified response of NATO member states and like-minded countries to President Milosevic's intransigence and campaign of terror and expulsion against Yugoslav citizens in Kosovo reflects the seriousness with which that threat is viewed.

Our assistance program in Yugoslavia, and for Kosovar refugees, must work with and support those forces which will bring stability to the region. More directly, our efforts to promote meaningful democratic development throughout the Federal Republic of Yugoslavia, and to work with our Kosovar, Montenegrin and Yugoslav counterparts as they progress through economic recovery and reconstruction to prosperity, place USAID and our partner agencies and institutions squarely in line with essential U S foreign policy interests.

A generous and apolitical response to humanitarian crises is a second key tenet of U S foreign policy which the USAID program will continue to address. Even before the current refugee catastrophe erupted in March of this year, the U S Government and USAID were in the forefront of the international response to the humanitarian disaster which began to unfold one year ago in Kosovo. Continuation and expansion of that generous humanitarian response is necessary and inevitable, in light of the massive exodus of the people of Kosovo to neighboring countries and the as-yet unknown plight of those they left behind.

Our proposed strategy is also fully consistent with the strategic directions established by the U S Mission in Belgrade. Although preparation of the FY 1999-2001 Mission Performance Plan was interrupted by the ordered departure of all staff in March of this year, discussions at post indicated that strategic goals related to regional stability, economic development, democracy and humanitarian assistance would figure prominently in the MPP submission. The USAID strategy addresses each of these areas, with strategic objectives adapted to the new conditions which obtain today in the Federal Republic of Yugoslavia.

## **B USAID Priorities**

### **Background**

For the past year, while recognizing the ever-growing military and humanitarian crisis in Kosovo, the Mission had been pursuing an overarching strategy of democratic development in Yugoslavia. As identified in the 1998 concept paper, this program strategy incorporated the principle of differentiated responses by region, corresponding to the differing sets of constraints and opportunities which existed in Central Serbia, Montenegro and Kosovo.

The original concept for the USAID program in Yugoslavia was to promote democratic development wherever and however possible in the aftermath of the popular protests of late 1996 and early 1997. This policy of supporting democratic transition, in a decidedly "pre-transition" political environment, led necessarily to a flexible program strategy of working with all progressive and moderate groups who shared our commitment to democratic reform. These groups included independent media, non-governmental organizations, democratic opposition parties, labor unions, lawyers and student groups, and municipal governments which were controlled by opposition coalitions -- the legacy of the "Zajedno" coalition and the protests of the winter of 1996/97. We have been required to interrupt, though hopefully not abandon, our support to democratic forces in Serbia due to the political and military crisis which erupted in March 1999.

This strategy grew to include a more broadly-based "foundations of transition" program in the reform-minded Republic of Montenegro, as the government of President Djukanovic and Prime Minister Vujanovic put in place an ambitious and important program of democratic and economic reform. In fulfillment of their slogan -- "For a Better Life" -- our partners in the government of Montenegro set in motion economic reforms which included a wide-ranging privatization program and an emphasis on economic growth. More recently, they had turned their attention to an aggressive program of governance reform, encompassing judicial, local government and civil service reform. USAID was an enthusiastic partner in all these initiatives for three key reasons: (a) they made developmental and programmatic sense, (b) they supported the policy and political objectives of the Montenegrin government, and (c) they allowed us, by working on key economic and democratic reform issues within a Yugoslav legal and institutional framework, to help develop critical analyses and program approaches which could, conditions permitting, be applied to similar reform and transition issues throughout Yugoslavia.

In Kosovo, our programs had focused on basic civil society and democracy-building activities, including community development programs which used key technical interventions in maternal and infant health, elementary education, and community water and sanitation to support broad-based community cooperation and "self-help" organization. Over time, these activities were designed to mitigate ethnic tensions by

creating community fora within which all ethnic groups could address common problems. As central government and Serbian repression intensified during 1998, these programs became more and more difficult to pursue. In parallel with that increased repression, and the military offensives against the Kosovo Liberation Army and the civilian population of Kosovo which continued throughout the summer and into the fall of 1998, the USAID program increasingly focused on humanitarian relief.

The opportunity provided by the Holbrooke-Milosevic October agreements, and the arrival of the Kosovo Verification Mission under OSCE auspices, allowed the USAID "Winter Emergency Program" in Kosovo, and with Kosovar IDPs in Montenegro, to more effectively address the needs of hundreds of thousands of people who had been forced out of their homes by military action and by the policy of punitive arson pursued by the Yugoslav army and Serbian special police forces. Unfortunately, this respite proved to be short-lived, as renewed aggression by Yugoslav and Serb forces in December and January spiraled out of control in February and March, despite the best efforts of the international community in Rambouillet and Paris, and led to the humanitarian catastrophe with which we are confronted today.

### **The Situation Today**

As a result of the current political and military crisis, including the disastrous Yugoslav and Serb offensive within Kosovo, the ever-growing numbers of Kosovar refugees being expelled by government security forces, and the resulting NATO bombing campaign, USAID priorities have been evolving rapidly. First and foremost, humanitarian response must play an increasingly significant role in our plans and programs. We have also seen the deep differences which had existed among the operating environments, program possibilities and counterpart relationships in Serbia, Montenegro and Kosovo widen radically.

For the immediate future, we see USAID programs in Yugoslavia and for Kosovar refugees following three central principles:

- First, critical humanitarian assistance to the people of Kosovo, both among the Kosovar refugees and, as conditions permit, within the province, is the highest priority. As part of this overall strategy, assistance programs and resources which were originally intended for the people of Kosovo should, wherever possible, follow them out of Kosovo, be adapted to their new needs, and be implemented in such a way as to lay the groundwork for an uninterrupted continuation of the assistance when they return to Kosovo.
- Second, support to the people and government of Montenegro should be maintained to the fullest extent possible, both to sustain them and their commitment to peace and reform throughout the current crisis, and to maintain a solid foundation from which to quickly restart and expand program operations following the crisis.

- Third, the current extremely difficult prospects for pursuing programs in Central Serbia should not completely overshadow the reality that stability in the Balkans and Europe will depend in large part on democratic reform in Serbia, and that our willingness to stay engaged with democratic forces despite the current crisis can hasten those eventual reforms

### **Kosovo and Kosovar Refugee Assistance**

The forced displacement of much of the population of Kosovo has vastly increased the need for basic humanitarian relief, both for internally displaced persons within the province and for the refugees who have been expelled from Kosovo. Planning for U.S. Government humanitarian assistance will need to reflect this greatly-increased vulnerable population and will need to focus on assistance needs for at least the coming year.

Under even the best of current assumptions, a full agricultural season has been lost, and the earliest time that local production within Kosovo might begin to fill some of the needs will be from summer 2000 harvests. In addition, essential human service delivery systems have suffered extensive damage. We will also need to focus on the human dimension of recovery from widespread and systematic terror against the civilian population. Untold numbers of heads-of-family, community leaders, teachers, and medical personnel are reported to have been specifically targeted by Yugoslav and Serb security forces as part of their "scorched earth" policy of ethnic cleansing. Yet to be assessed is the possibility that substantial damage has been inflicted on the Kosovar societal structures and "shadow institutions" that have traditionally contributed to community cohesiveness and carried out a range of formal or informal governance functions.

As noted above, we believe that it is also extremely important under current circumstances to creatively apply programs and resources, which had been committed to the people of Kosovo, to their new needs as refugees. These resources include both funding and, even more importantly, the human resources and technical capabilities brought to the programs by the NGOs which had been implementing the programs inside Kosovo. Properly implemented, these programs can help meet pressing humanitarian needs while also supporting important objectives in community organization. By maintaining a focus on community self-help and self-reliance, these programs can help limit development of a dependency mentality and can lay the groundwork for subsequent refugee returns.

Our overall program planning must find ways to balance two immediate and essential objectives. First, we must mobilize significant new resources to enhance our support for direct humanitarian assistance to the growing population of refugees and, if international agencies gain access to Kosovo, to the many thousands of IDPs reported to exist inside the province. Although we are only in the month of May, refugee camps which are just now under construction may need to be reassessed within a few months to determine their suitability for winter conditions. Second, we must begin from now to plan for activities

and investments which will be essential to establishing the necessary conditions for the return of Kosovar IDPs and refugees to their homes

Finally, our longer term planning must encompass anticipated needs for comprehensive social and economic recovery programs, reconstruction of many essential service facilities damaged or destroyed by military actions on both sides, and establishment of new systems and institutions for governance in a newly autonomous Kosovo

### **Sustained Support to Montenegro**

For the immediate future, on both policy and programmatic grounds, assistance to the government and people of Montenegro should be sustained to the maximum extent possible. Existing assistance to Montenegrin programs of privatization, economic growth, governance reform and social assistance merit our best efforts to sustain our support, even under current conditions.

In addition, direct financial and budget support assistance to the government of Montenegro, and direct humanitarian assistance to Kosovar IDPs, will assist the government to survive the economic and political strains created by their courageous opposition to Federal government's policies in Serbia and Kosovo, and by the welcome they have extended to Kosovar IDPs who have sought refuge in Montenegro.

### **Democratic Reform in Serbia**

Perhaps the most difficult decision process relates to the critical role that democratic reform in Serbia must play in achieving any sustainable peace, stability, or prosperity in the Balkans. We are, on the one hand, confronted with the most uncertain and problematic program environment imaginable, both now during the NATO bombing campaign and in most of the future scenarios we can develop. On the other hand, we strongly believe that our national interests cannot be successfully pursued, and that our foreign policy objectives in the Balkans and in Europe cannot be realized, without achieving true democratic reform in Serbia.

We do not seek to abandon our partners in democracy in Serbia, even though we cannot be sure if or when the people of Serbia will be willing or able to work with us again, yet we must do our best to assure that current and potential new USAID funding can still be used effectively and appropriately in support of our essential objectives.

Finally, although it is premature to discuss priorities or plans in any detail, we recognize that democratic reform and long-term stability in Serbia will not occur in an environment of social and economic devastation. When conditions permit, in particular related to the policies of the Yugoslav and Serbian governments, massive reconstruction and economic recovery programs will be needed if we are to achieve our ultimate policy objectives in Yugoslavia, the Balkans, and Europe.

## **C Customer Focus**

USAID Belgrade's ultimate customers in Kosovo, Montenegro and Serbia are the men, women and children that will benefit from our humanitarian relief activities, our focus on citizen empowerment and responsive governance, and the results of our priorities to increase economic opportunity and incomes through fostering the emergence of market economies. Our programs throughout the region emphasize multi-ethnic collaboration and pluralism. Substantive progress on the achievement of a stable, multiethnic society and political pluralism is the Mission's principal goal in Yugoslavia. This is an explicit objective in our citizen participation and local governance programs and a design fundamental in the activities undertaken to promote private market economies and economic development. In this context, the Mission is developing mechanisms to track and evaluate success in our objectives to insure that ethnic minorities and women are included as direct beneficiaries of our programs.

Our intermediate customers are policy makers and other program partners (governments, other USG agencies, NGOs, other donors, the independent media, contractors), whether or not directly financed with USAID resources. In this context, the Mission is proactive in encouraging coordinated contacts and relationships between and among our partners to discuss best practices, training, advocacy and resolving obstacles to the realization of common goals and objectives. All of our partners have been invited to participate in our programs as members of our program SO Teams and large numbers of them have chosen to participate.

## **D Other interests and donors**

Kosovo and its people will be the primary focus of donor participation for the immediate future after the peace settlement. It is expected that the Organization for Security and Cooperation in Europe (OSCE), in partnership with the European Union and other international organizations, would assume the lead in coordinating aid efforts for civil society and infrastructure rebuilding. While OSCE's historic role has been primarily a negotiating body, in the case of Kosovo, it should continue its responsibility for ensuring elections are held at an appropriate time after a political solution is achieved and that the civil society infrastructure rebuilding is properly addressed by donors. USAID/Belgrade has strong contacts and coordinates regularly with the OSCE staff who are responsible for humanitarian and democracy programs.

Humanitarian aid multilaterals, including UNHCR, WFP, WHO, and UNICEF have had the longest involvement in the country. Consequently, it is expected these groups will be among the first back into Kosovo. Additionally, they should also continue to assist IDPs located in and out of Kosovo, including Montenegro and parts of Serbia. USAID plans to work closely with the humanitarian agencies to facilitate aid assistance to refugees and displaced persons.



Assistance programs of the European Union and bilateral donors, including Canada, UK, Sweden, Norway, Denmark and Netherlands include humanitarian, human rights and conflict resolution activities. The Swedish Government has taken a lead in trying to organize assistance to civil society in Kosovo illustrated by the June 1998 and February 1999 conferences in Stockholm. The EU, UK and Sweden have supported independent media and NGO development along with USAID and Soros. Such efforts are expected to continue and probably increase in the future.

Another significant partner is the Fund for an Open Society (Soros Foundation). While bilateral donor assistance in the majority of circumstances started recently, the Soros Foundation began operations about six years ago. Soros' assistance to the B-92 radio station made an important and timely input in maintaining the flow of information during the street protests of late 1996 and early 1997. USAID has worked with Soros, leveraging their funding in many of their activities, mainly in media support. One of the biggest achievements in donor coordination was the Soros, USAID, EU and other bilateral donors' decision to jointly fund the ANEM proposal for an independent television network. Work on the ANEM Belgrade TV production and broadcasting studio was about to commence when the political and military crisis intensified in March 1999. This major effort, while on hold now, will continue as soon as it is safe for independent media to operate in Serbia.

Although a number of policy issues would need to be addressed, we also believe that the skills and resources of the international financial institutions will be essential to effective recovery and stabilization programs, particularly in Kosovo and Montenegro.

The British Know-How Fund (BKHF) and USAID provided technical assistance to the Montenegrin government to help launch privatization, local government and judicial reform efforts. BKHF funding was also provided for civil society projects in both Serbia and Montenegro in modest amounts.

Future coordination should be active and effective as donors and grantees shift their attention from relief to democratization and reconstruction efforts. It is expected that UNHCR will continue their role as leader for the relief activities as well as their weekly coordination meetings. We expect similar roles to be developed by the OSCE and the EU, for civil society and reconstruction efforts, respectively.

USAID, with its broader development and humanitarian focus and twenty months of on-the-ground presence, is recognized as a lead assistance agency among donors. Upon reentry to FRY, USAID needs to maintain leadership and work actively with other donors to maximize the impact of our assistance programs.

## **E Coordination Within USG**

Prior to the ordered departure of all U.S. Mission staff from Belgrade, carried out between March 19 and 24, key coordination issues were addressed in the context of the Country Team in Belgrade, acting under the authority of the Chief of Mission. This

standard structure provided an effective mechanism for coordination with appropriate bureaus and offices of the Department of State, such as the Bureau for Population, Refugees and Migration, and with other relevant agencies and departments of the U S Government

Within USAID, the Belgrade Mission staff, OTI Belgrade office personnel, and our colleagues in the ENI Bureau, BHR/OFDA, BHR/Food for Peace, Global Bureau and other parts of the Agency worked well together to assess, plan and implement our assistance programs. These Belgrade-based coordination processes were complemented by the Kosovo Working Group, Kosovo Task Force, and other intra- and inter-agency coordination fora established in Washington.

Under current circumstances, with Embassy operations in Belgrade suspended and new program challenges requiring coordinated assistance operations in the Federal Republic of Yugoslavia and at least seven neighboring countries, new and creative coordination mechanisms must be established. An essential starting point for such coordination will be agreement on an overall U S Government strategy for assistance to Kosovo, Montenegro, and Serbia.

Within the context of such a strategy, inter-agency coordination will need to be managed on a day-to-day basis in Washington and in the field. Existing policy and operational coordination structures in Washington will need to adapt to and focus on the new requirements that program implementation will generate. In the field, new information and program management coordination processes may be needed, since implementation of the overall Kosovo, Montenegro and Serbia strategy and programs will require at least some level of coordination with program implementers and U S Government representatives in the FRY, Albania, Macedonia, Croatia and, to perhaps a lesser degree, Bosnia, Hungary, Romania and Bulgaria. The USAID/Belgrade Mission-in-exile, with personnel now working in Budapest, Skopje and Washington, may be able to provide a structure through which essential coordination in the field, and between Washington and the field, can occur.

## **II PROGRESS TO DATE**

USAID re-established an office in Belgrade in 1997 after a 5-year lapse. Originally closed as a result of the wars in Slovenia, Croatia, and Bosnia, the Dayton accords in 1995 helped establish an enabling environment for an eventual return of USAID to the FRY. It was not, however, until the pro-democracy demonstrations of the winter of 1996/97 that a reasonable opening and opportunity for USAID democracy sector assistance was identified. A concept paper prepared in February 1998 sketched out preliminary directions for an expanded program, tailored to the opportunities and constraints existing in each of the three principal regions of the Federal Republic of Yugoslavia: Serbia/Vojvodina, Montenegro, and Kosovo. The overall goal formulated for the country program was "to support the empowerment of citizens to attain political and economic freedom through participative, democratic processes." Because of the recognized political volatility of the FRY, the program was structured to "recognize the

variation among localities of conditions, and build upon their respective strengths and needs " For each region, illustrative results and performance indicators/measures were identified, these correspond to a program approach emphasizing "activities to enhance respect for the rule of law, protect human and civil rights, strengthen civil society and foster individual economic opportunity " This approach formed the basis for expansion of project activities throughout the country USAID/Belgrade was staffed and an office established in Pristina (Kosovo) Program implementation moved forward even as tensions between the central government and the ethnic Albanian majority in Kosovo escalated in the latter part of 1998

## **A Serbia**

The principal impetus for the Serbia program was the existence of a "reform movement", with four identifiable groups

- "Zajedno", a disorganized (and now fragmented) national group,
- mayors and councilors of opposition towns, who continue to hold their coalition together (Nis, Kragujevac, Cacak),
- an activist but non-partisan group, suspicious of government, strong among students and unionists, including participants from a reform minded judicial sector,
- civic minded NGOs

Accordingly, program activities focused on working with local governments of towns controlled by the political opposition and open to reform Activities also included training for opposition political parties and non-government organizations including independent trade unions Activities with media served as a critical vehicle to disseminate the message of democracy as well as basic, fair and objective news reporting Advocacy for judicial reform occurred through work with local judicial groups Some of these activities were reinforced by OTI interventions through grants to local media outlets

The program rationale was to capitalize on the commitment to democracy and reform of these various groups, developing within them models of good governance and civic action that might later be expanded to other groups and communities and that would also begin to affect democratic leadership at the national level The theme of democratic leadership, while specifically articulated for the set of activities implemented with political parties, also pervades the work with local governments and NGOs

Key results from this program were anticipated in four areas

- **Ensure nationwide access to independent media**
- **Develop a new generation of pro-democratic political leadership**
- **Some model (transparent and accountable) local governments achieve national recognition**
- **Develop an institutional foundation for the NGO sector**

## **1 Ensure nationwide access to independent media**

(Indicator quality, objective reporting available throughout the country)

### **Illustrative benchmark performance measures included**

- launch the ANEM network,
- increase the professionalism of journalists through training,
- nurture commercial competitiveness through training, one-on-one advising in media management, sales, and advertising,
- expand political clout and legal protection for journalists through effective lobbying by media associations and unions

### **Achievements**

USAID provided critical support to independent newspapers and broadcast media, helping them deal with the increasingly severe crackdowns by the government as tensions between Kosovo and Serbia escalated during the course of the year

By far the largest effort (strongly complemented by OTI activities) went to making the ANEM television and radio network operational. The network is owned and financed by external donors but operated by independent stations throughout Yugoslavia. Initially, TV network programming consisted of daily distribution of a taped entertainment package imported from abroad and versioned for Serbia. Training during the year focused on reporting and producing finished news packages, through seminars based on actual news assignments taped and edited during the day, and broadcast in the evening. All staff (journalists, technicians, and managers) in 6 of 18 affiliate stations were trained in TV news broadcasting operations. At the same time, in-house training capacity was created for the ANEM radio network of 33 affiliated independent municipal radio stations throughout the FRY.

Print, as well as broadcast, media are an essential element of a democratic media system, since such news outlets provide the in-depth and investigative reporting which helps set the agenda for broadcast news. Selected newspapers were coached and advised on management and business planning issues, including marketing, with a view to improving their commercial sustainability and capacity to put Yugoslavia's corps of independent and sophisticated print journalists to work. Initial discussions on planning for a newsprint bank and for a foreign-owned printing operation, modeled on the ANEM framework, were undertaken with local media outlets and with donors. In addition, USAID helped a number of newspapers respond to government repression, including moving their printing operations to Montenegro. In spite of this, three independent Serbian newspapers were closed between October and December, 1998, when their coverage of the political crisis was judged to be "unpatriotic." Their assets were seized, and the property of key editors and managers was confiscated. Several publishers were put on trial.

USAID assisted media organizations in dealing with the government crackdown by sponsoring a rapid analysis by a prestigious Washington law firm of the Serbian

Government's restrictive and punitive October, 1998 information law. This analysis was widely distributed by the media in Yugoslavia, and also disseminated at the EU headquarters in Brussels. The analysis enabled Serbian media to respond more coherently to government harassment. It formed the basis of the Serbian Bar Association's protest.

## **2 Develop a new generation of pro-democratic political leadership**

(Indicator: pro-democratic political figures are elected by members to lead strengthened reform-minded, responsive political parties)

### **Illustrative benchmark performance measures included**

- responsiveness: increased 2-way communications with supporters through surveys, canvassing, public fora
- strengthened local branches: proactive volunteer recruitment, internal communications, fundraising, voter and media contact
- increased competitiveness: external communications plans have a focused, consistent message
- strengthened internal democratic practices: 2-way communication between central leadership and party branches via newsletters and regular meetings

### **Achievements**

While a number of opposition parties exist in Serbia, and many support reform, the challenge is to help them learn and practice the collaborative, democratic values and principles that they do not necessarily understand. It is also critical to the future of multi-party democracy that the opposition parties strengthen their support base and improve their ability to resist the strong-arm tactics of the ruling party and its partners. Following multi-party workshops held in various parts of Serbia starting in late 1997, three parties were selected to receive systematic technical assistance. Working groups of 6-10 members were established in seven cities and trained in long-term political party building, including preparing and carrying out "customer" surveys to determine voter knowledge and political predilections. Survey results were used in crafting party platforms highlighting issues of importance to the potential supporters and to identify the parties' support base. The next step, interrupted by the NATO ultimatum and bombing, would have been to begin motivating and mobilizing the support base through dialogue demonstrating party responsiveness to citizen concerns.

As a result of these trainings, local party members and leaders developed an appreciation of the importance of two-way communication and of building their identities on the basis of political themes and messages that reflect public priorities, and not just on the personal popularity of individual party leaders. Local party branches also developed more participatory internal processes. Up to a dozen local party members and leaders who participated in these trainings were elected or named to their national party committee due to their demonstrated effectiveness as party organizers. Parties also received coaching in media communications, especially in focusing on "playing your own game" rather than being drawn into defensive postures by the government or other opponents.

In addition to assistance to individual parties, USAID also supported the Alliance for Change, a recently formed, broad-based coalition of 40 reform-minded parties and citizens' organizations that appears able to replace the ineffective Zajedno coalition in pressing an agenda of political reform. Efforts were also made to promote the first-ever election of student parliaments in the four major universities and to help channel students' abilities to work together constructively. Finally, plans were initiated to provide political leadership training to members of the independent trade union, Nezavisnost. This responds to the group's conviction, articulated in a January, 1999, policy statement, that civil society development demands the commitment of its membership to build democracy throughout the country and that the union has much to offer the parties in this regard. Further discussion of union work is found below.

### **3 Some model (transparent and accountable) local governments achieve national recognition**

(Indicator: cities receiving assistance are known as progressive for their responsiveness, fight against corruption, and participatory approach)

#### **Illustrative benchmark performance measures included**

- stronger financial management, strategic planning, and the introduction of program-based budgeting will result in improved resource management
- greater transparency in operations
- community-based economic development, in partnership with local firms and NGOs

#### **Achievements**

Working on a pilot basis with municipal government and community leaders of two Serbian cities, Nis and Kragujevac, USAID has begun to set in place the foundations for systematic changes in governance. In the less than six months between start up of program activities and the successive Mission evacuations, significant steps were taken to improve citizen participation in municipal issues, local government responsiveness to citizen concerns, and to strengthen procurement management by local government. Each local government/community leader group worked collaboratively to assess the local environment, identify problems and devise and implement solutions, demonstrating the benefits of citizen participation with a responsive government. For example, they conducted a statistically significant comprehensive survey of 1400 citizens to identify citizens' priority concerns and to find out through which channels citizens are getting information about their local government and its services, as well as how they are dealing with service delivery problems. In Kragujevac, this survey resulted in a focus on improving local telephone service, on developing a unified public utility billing service, and on developing a system to respond to citizens' inquiries on municipal services (including disseminating an information brochure with names and telephone numbers of key contact officials).

Community economic development commissions of about 25 members were established in both cities to prepare economic development strategic plans. They have analyzed local conditions and prepared a list of critical issues. Each local government budgeted funds to capitalize an SME loan fund and to establish an office of economic development. In Kragujevac, an SME loan committee composed of public and private sector representatives issued a public solicitation and approved and disbursed two loans.

Each pilot city also established procurement commissions composed of municipal officials, business leaders and media critics to prepare municipal procurement rules. Senior municipal officials in both pilot cities were at first reluctant to address the issue of conflict of interest in municipal procurements. However, they came to understand the importance of maintaining public trust and avoiding even the appearance of impropriety. Similar discussions with officials in Novi Sad and Subotica met with the same results. The Kragujevac commission actually adopted interim rules that established a more open and transparent procurement system.

Finally, in another demonstration of the move toward more transparent operations, each pilot city prepared municipal budget letters to inform local officials, the media, and the public about the proposed FY 1999 budget. They also drafted an information brochure inviting the public to participate in a public meeting on the budget. In the city of Nis, the budget letter was credited by city officials as instrumental in obtaining ruling Socialist Party support for the adoption of the proposed budget.

All of these activities strongly complement and reinforce the previous objective of developing pro-democratic political leadership.

#### **4 Develop an institutional foundation for the NGO sector**

(Indicator: develop a core group of model NGOs, "model" = transparent, democratic governance, effective resource management, active advocacy of reform in key areas)

##### **Illustrative benchmark performance measures include**

- develop a core of local trainers in NGO management
- increase cohesiveness of sector through increased communication, newsletters, yearly NGO congress
- NGOs coordinate actions in response to harassment, or to reach consensus on key reforms

##### **Achievements**

In the complex and increasingly hostile environment for democracy, free speech, and pluralism in Serbia during 1998, it is remarkable to have been able to move forward in the area of NGO and civil society development. When this area was identified as a critical component of the country program, there was a strong hope that the domestic environment would improve rather than worsen, as has been the case. In retrospect, the illustrative indicator of working toward a core group of "model NGOs" proved to be

somewhat ambitious in terms of changing their internal operations. However, the Mission achieved noteworthy results in terms of strengthening civil society's capacity to advocate reform and increasing communication and cohesiveness between like-minded groups, two important elements which indicate the effectiveness of the program. The activities and results presented below have set a direction which can, in many cases, be maintained even in the absence of a direct USAID presence. They represent a strong element of building an active and participatory civil society in the FRY.

Starting in June 1998, USAID supported work focusing especially on NGOs and associations concerned with legal and judicial issues. Through ABA-CEELI contacts with groups such as the Jurists Association of Yugoslavia, the Yugoslav Lawyers' Committee for Human Rights, the Serbian Judges' Association, the Center for the Promotion of Information and Democracy, and the Humanitarian Law Center, issues related to building an open, pluralistic society, such as judicial independence and freedom of the press, were raised, debated, and often publicized through the media. In particular, as repression increased in Serbia in late 1998, three public conferences on Freedom of the Press and the Public Information Law (promulgated in October 1998) were presented in Belgrade, Nis, and Novi Sad. Public meetings were also sponsored or organized on topics such as corruption in the courts, war crimes, domestic violence, and the criminal trial of the director of Nis city radio, accused of illegal broadcasting.

To increase communication and cooperation and promote the cohesiveness of groups working on legal and judicial issues, the Belgrade Legal Reform Roundtable was created in late 1998 with 15 NGOs.

Unions have an important role to play in civil society development. USAID supported work focused on strengthening the management, organizational, and participatory orientation of the independent Serbian trade union, Nezavisnost, which expressed the desire to become more active in advocating and influencing reform of social and economic policies. It is expected that union leaders have broadened their understanding of democracy and their perspective on the active role that union members can play to expand the democratic process in civil society, even though they are faced with a repressive government.

Finally, USAID continued to strengthen the Center for Free Elections and Democracy (CeSID, created in 1997), enhancing its administrative and fund-raising capacity. The group now receives funding from five different donors. Efforts to strengthen the Association of Free Municipalities, composed of officials from the 34 major Serbian opposition cities, have also been initiated.

## **B Kosovo**

The principle assumption for the 1998 Kosovo program was improved collaboration and communications between ethnic groups could bring people and communities together. Accordingly, the program focused on working with community based activities in the schools, communities and local health clinics. The goal for each of the three activities



was facilitating communication, working together and, simply, meeting in the same room on common agendas

The major objective implicit in the program defined in February 1998 was to have

**Ethnic communities working together in cooperation for the achievement of common objectives**

**Illustrative benchmark performance measures included**

- community participation in education
- school attendance in classes of mixed ethnicity and gender
- mothers trained in basic child care regardless of ethnicity
- local institutions bring population together

**Achievements**

The Community Building activities that began in the summer of 1998 showed promise and confirmed the importance of USAID's objective. The three activities were supporting community involvement in improving education, community organization building and self-help activities, and improved health delivery and training of mothers in basic child health care. Later in the year, plans began to integrate support for displaced persons into the activities. However, the rapidly deteriorating crisis cut short the period of implementation, and assumptions were not adequately tested prior to the March 1999 evacuation.

The community involvement in education activity was assessing Urosevac, Stimlje, and Lipljane as potential sites. These communities were attractive because they had previously participated in self-help activities. However, school attendance in classes of mixed ethnicity and gender were not planned basically because of the language differences and the increasing tensions between ethnic groups throughout the year.

The activity in community organizing initially focused on communities in the Gnjilane municipality working with local groups on projects to improve health and education. The purpose was to activate community leadership to continue recovery and reconstruction projects.

The last activity focused on mothers and infant health was designed to train mothers in basic childcare regardless of ethnicity. This project did not begin due to the inability of the Chief of Party to obtain the appropriate visa from the FRY authorities. The evacuation then occurred.

The USAID/FRY office in Pristina began operations in August 1998. In addition to monitoring the Community Building activities, the office worked closely with OFDA, NGOs, international organizations, and the Mission in Belgrade, resulting in the stabilization of the humanitarian emergency and the design and implementation of the 1998-99 Winter Emergency Program. USAID/Pristina also began field monitoring and

dialogued with government authorities, OSCE, KDOM, UN organizations, NGOs, and representatives of the Albanian parallel administrative structures in conflict areas. Interagency communication with BHR's OFDA and OTI on existing and potential joint activities was strong.

## **C Montenegro**

The distinguishing feature of the USAID program in the Republic of Montenegro is that it responds to a direct request for assistance from the reform-minded government. At the same time, it is important to recognize that the Montenegrin government's opposition to the policies of Slobodan Milosevic and the Federal Government of Yugoslavia puts it in a precarious position, given the strong political divisions that exist within this small republic. Seizing the opportunity to move the reform process forward, USAID was able to secure a waiver of Lautenberg provisions in order to provide private sector assistance as well as working on civil society and rule of law issues. Other priorities include reform of the electoral process, support for independent media, development of local government capacity, and increasing cooperation between parents and community school officials. There has been a sense of urgency to the program, given the government's fragile situation. By the time of the Mission's March 1999 evacuation from Belgrade, activity implementation in Montenegro had begun to gain momentum. The two major objectives implicit in the program defined in February 1998, were to

- strengthen pluralism through improved political process and civil society,
- bring about economic empowerment through wider citizen participation in economic choice and decision-making

### **Illustrative benchmark performance measures included**

- an open, transparent system for privatizing government assets,
- significant progress in privatization,
- substantial foreign investment,
- improved legal framework for electoral process,
- better educated/informed electorate,
- voter registration system improves accuracy and prevents fraud,
- better managed city government in Podgorica,
- improved curriculum and community school facilities

## **Achievements**

USAID initiated, and intends to continue, a two-pronged approach to develop a pluralistic society in Montenegro. One element of this approach is to strengthen the official judicial system and non-government support organizations. As in Serbia, USAID supports outreach to the Jurists' Association of Montenegro. Reflecting the more open environment, other local partners are the Ministry of Justice, the Law Faculty of Podgorica University and community schools. At the request of President Djukanovic, USAID provides assistance to the republic's working group on judicial reform, composed of official and civil society representatives.

Initial contacts, also at government request, were made to develop assistance for decentralization and support to local governments, and planning for specific activities was underway. This area will be a strong component of USAID's program once assistance activities are able to resume.

In the area of economic empowerment, the government made great strides in setting in place the legal framework to support an open and transparent mass voucher privatization program for some 260 companies. (A program of privatization by tender is being managed concurrently by the British Know-How Fund for about a dozen strategic companies). An amended privatization law was drafted and broadly discussed before being passed by Parliament in February 1999. Four supporting decrees were passed on March 4, 1999, while several others are being finalized. In addition, plans are well advanced to establish the central share registry and stock exchange operations required to trade shares of the companies that will be privatized. Thanks to extensive discussion of the details of the mass privatization program prior to passage of the law, and in recognition of the priority of this program in the reform process, the Prime was appointed the chairman of the government's Privatization Council, the policy-making and guiding body for the reform.

[NOTE: Barents Group and ABA/CEELI have been able to continue working with local counterparts through supervision and guidance from the resident project managers, relocated in Dubrovnik, Croatia]

To support private sector operations, USAID is strengthening the Center for Entrepreneurship, which offers business support services and courses for entrepreneurs, and sponsors a specialized Women's Business Center, as well as state-owned enterprises facing privatization. Activities were just getting underway at the time of the March evacuation.

Looking toward the future, in the context of private sector empowerment in Montenegro, USAID had just begun implementing plans for small and microenterprise lending (but had not actually initiated loan operations). It was also starting to develop a local private sector think tank, the Institute of Strategic Studies and Prognoses, focused on analysis and advocacy of economic policies that would support private sector growth.

#### **D Lessons Learned that Affect Future Program Development**

- Local staff in Serbia and in Montenegro are capable of implementing a substantial proportion of program activities IF the political environment is reasonably stable and funding can be maintained from offshore sources.
- Media: The task is not only to develop technical and business skills. A fundamental attitudinal change is required in order to plan and manage self-sustaining media organizations.

- Local government Active and constant participation by local government specialists will achieve greater results, assuming the necessary legal framework for reform is put in place by government
- Political parties More training in methodology and message presentation will be needed
- Rule of law People are interested in alternative ways in which to adjudicate an issue
- Economic development In Montenegro, legislative process slowed privatization results Final reform legislation needs to pass through the parliament faster
- Serbs and Albanians have been too scarred by their experiences to be not willing to participate in bringing the ethnic groups closer together in Kosovo at any time in the foreseeable future

### **III PROPOSED STRATEGIC APPROACH**

#### **A Why Plan?**

Reasonable observers of the situation in the Federal Republic of Yugoslavia, and in the surrounding countries, might well wonder why USAID would choose to develop program strategies and plans in the midst of the level of uncertainties which prevail in April and May of 1999. We believe that there are several key reasons why it is not only appropriate but essential to develop those strategies and plans, even while assuming that elements of our plans will need to be periodically reassessed and updated.

- USAID/Belgrade has conducted a number of in-depth assessments and refined its conception of major needs identified last year. This has included detailed post-evacuation discussions with our program implementing partners which focused on both lessons learned from existing activities and on the prospects for renewed programs in the three different operational areas in the FR Y.
- In Montenegro, the conclusions of the assessments are expected to remain generally valid, under the assumption that the Djukanovic government is able to maintain its independence of action and continue to pursue the policies and programs which we are supporting.
- For Kosovo, the Mission has built upon the analyses and assessments conducted over the past several months, and updated the proposed strategic approach to focus on critical humanitarian assistance and related interventions which should be the most immediate focus of our activities. Program proposals developed in response to the situation as it existed two months ago, based on identified needs in peace implementation, social and economic recovery, governance, and community infrastructure rehabilitation, are expected to remain as priorities within the overall

recovery program in Kosovo, albeit with greatly increased requirements for many of those interventions

Prominent among these activities will be efforts to reestablish basic human service delivery capacity in Kosovo, so as to help create the necessary support structures and conditions for IDP and refugee returns. Additionally, the greatly increased level of damage and destruction to major infrastructure, utilities and other facilities essential to urban and town life in Kosovo add a new dimension to our planning for the overall Kosovo recovery program. Although we have not yet been able to assess these requirements in any detail, experience with similar post-war situations provides a basis for preliminary planning.

- Beyond the details of specific interventions, planning for key elements of our assistance to Kosovar IDPs and refugees, and for the most immediate interventions in Kosovo following a political solution to the crisis, is necessary even now due to the special demands of and long lead times required by a number of these interventions.

Food aid which will be shipped from the United States must be planned, procured and called forward three to four months before it is needed for distribution. Similarly, procurement of other commodities which will be essential to the return of IDPs and refugees to their homes, including agricultural implements, seed, and shelter materials, will require significant lead time.

Although we have no assurance that the security situation will permit IDP and refugee returns in the next few months, we will be facing a number of unavoidable deadlines in the comparatively near future. Prominent among these is the September and October wheat planting season. If farmers are not able to return to their fields to put in the wheat crop, or if international assistance efforts do not succeed in making the necessary seed, tools, shelter materials and essential services available in a timely way, even the beginnings of self-sufficiency will be put off for another year, and our calculations of basic maintenance food aid requirements will extend to twenty-four months, from the twelve months now required.

- Other program interventions must begin now, even as the crisis continues to unfold, if both short- and long-term objectives are to be achieved. For example, an accurate and complete registration process for refugees must provide the basis for reissuance of identity and residency documentation that has been destroyed by Yugoslav and Serb security forces. This documentation will, in turn, facilitate refugee returns, preparations for eventual elections, and reestablishment of civil governance.
- For Serbia, our vision of the necessary building blocks for establishing democratic attitudes, practices and institutions remains clear. Plans developed over the past two years have been, through the lessons of experience and ongoing review and collaborative planning with our implementing partners, progressively refined to target our efforts on critical issues and key counterparts. What remains very uncertain is the likelihood of or timing for a return to full program presence in Serbia. Pending

clarification of those possibilities we must still be prepared to support our partners in democracy in Serbia, to the extent that they are willing and able to work with us

## **B Issues Affecting Strategic Planning**

We assume that our ability to resume operations or expand upon ongoing activities will vary significantly among the three program areas

### **Scenarios**

- Montenegro presents the most immediate opportunities for rapid resumption of program assistance. This assumes that we continue to pursue our strategy of maintaining our program presence through continued operation of local offices and support to local counterpart institutions, and through continued technical and managerial assistance from international staff temporarily based "offshore."
- For Kosovo, most implementing partners that had been active within the province have relocated their bases of operations to Macedonia, Albania and neighboring countries. Most are currently engaged in providing humanitarian assistance and related community support to refugee camp populations and refugee-impacted communities. By maintaining international and local staff presence, along with necessary support infrastructure such as vehicles and communications equipment, near to the borders of Kosovo, the international agencies should be comparatively well-positioned to return to Kosovo to prepare the necessary conditions for IDP and refugee returns, and to transfer their assistance interventions back to Kosovo as the beneficiary population returns.
- For Serbia, the operative mode in the short term may well be characterized as "targets of opportunity." It is not likely to be possible to restart previously-implemented activities due to the expected negative environment, and it is not possible to anticipate when activities may resume. Our program partners have, however, made special efforts to remain in contact with their counterparts to the extent possible. Several partner organizations are exploring options for sending non-American (and non-NATO member) international staff back into Serbia as soon as the overall security situation permits. The key issue would appear to be whether the current anti-NATO and anti-American sentiments prevalent in Serbia during the bombing campaign deepen into anti-democratic reactionism and cynicism after hostilities have ceased.

## **C Strategic Objective Plan for Kosovo**

### **Rationale and Plan for Strategic Objective 3.1 Immediate and Improved Responses to and Management of Humanitarian Crises in Kosovo**

During the period January 1998, through April, 1999, some 1.5 million of an estimated 1.8 million ethnic Albanian Kosovars are estimated to have been displaced from their homes and communities. On the order of 700,000 were forced into neighboring countries and Montenegro. This level of dislocation, combined with the devastation of Serbian

military destruction of homes and villages and the NATO bombings during March-April, 1999 has created massive humanitarian crises in the Balkans that have no parallels in Europe since WWII

### **1 Statement of Strategic Objective 3 1 Immediate and improved responses to and management of humanitarian crises in Kosovo**

USAID's responses must be immediate and comprehensive, and follow two interrelated, parallel tracks

**SO 3 1a** an **immediate response** that will be fully achieved when urgent human needs of vulnerable households are met, basic civilian governmental functions are established and an essential minimum amount of damaged or destroyed human services infrastructure has been reestablished, and

**SO 3 1b** an **improved response** to and management of humanitarian crises in Kosovo that will be fully achieved when Kosovar citizens have been empowered to manage their own affairs through democratic political processes and a viable foundation for sustained social and economic recovery is in place

## **2 Problem Analysis**

Since January 1998, a cumulative total of on the order of 1.5 million of a population of 1.8 million ethnic Albanian Kosovars has been displaced. By mid-April, 1999, over 700,000 were in private homes and refugee camps in Montenegro, Albania, Macedonia and other countries. Thousands of homes and businesses have been plundered, then destroyed or badly damaged in at least 400 cities, towns and villages. Many areas have been completely devastated. Agricultural crop planting and harvesting have been severely disrupted. Kosovo's 1998-1999 wheat crop, for example, normally on the order of 300,000 tons, has been missed. Spring and summer, 1999, crop planting of any kind will not occur. When displaced populations return to Kosovo, no food supplies will be available anywhere in the province. Large numbers of ethnic Albanians, including community leaders, are reported to have been killed or placed in detention centers since March 24, 1999. We fear that most ethnic Albanian governance and community support structures may have been destroyed. Many survivors have lost all personal documentation, including identity papers and property titles.

Emergency food aid may be necessary for as many as 1.5 million people for a period of at least one-year. This amounts to 270,000MT of food aid commodities at an estimated cost of \$162 million. The USG is now meeting up to 70% of the food aid needs of the current displaced population. If this same proportion was applied to the one-year requirement for 1.5 million people, up to \$113.4 million in Title II commodities would be needed.

Because of the complexity and as yet undefined magnitude of the humanitarian crises in Kosovo, USAID's response tracks will be pursued in terms of threshold events, not rigid timelines. A basic assumption is that an international peacekeeping force, in collaboration with UN/OSCE, will assure basic security throughout Kosovo as soon as a basic peace

agreement or other outcome leading to a stable environment is in place. The return of displaced populations to their communities will begin to take place as soon as basic security and some level of essential services can be assured. These returns will occur in an orderly fashion based on appropriate in-country assessments and following the establishment of facilitative security, administrative and human support structures.

### **3 Results Framework**

#### **SO 3 1a Immediate Response to and Management of Humanitarian Crises in Kosovo**

The highest level IRs for the immediate track of this SO are

- Basic civilian governmental functions established
- Urgent human needs met for vulnerable households
- Basic human services infrastructure reestablished

Responses on this track will require three sets of threshold actions

- Immediate actions
- Actions after a peace agreement or other political solution is established
- Actions following establishment of basic civil administration and human services support systems and structures

#### **Immediate Actions**

- a Assess population characteristics and status** Surveys of displaced persons located in camps, private homes and other locations outside the FRY should be conducted to identify home communities, kinship and community leaders, managers, organizers and teachers that can participate in the rapid setup of community structures and authorities in Kosovo. Leaders believed to be still in Kosovo or having taken refuge in Montenegro should also be identified.

**Responsibility** UNHCR, EU/US NGOs, OSCE and others

**USAID Purpose** to assist planning for the establishment of community structures and authorities in Kosovo, the return of displaced populations to their communities and recruitment and training of provisional police to work with an international peacekeeping force to guarantee security

- b Plan and call forward Title II and other emergency supplies** Significant amounts of emergency food are expected to be needed in camps and other locations outside the FRY, in Montenegro and in Kosovo. Given the ever-growing numbers of displaced persons and longer than expected period of conflict, current programming is not likely to be adequate. Revised estimates of emergency food needs must be made, sources of commodities identified and contracts let. Contingency planning must be done for maintenance of livestock that may still be in Kosovo.



**Responsibility** USAID/BHR/FFP, USAID/ENI, USAID/Belgrade

**USAID Purpose** to assure that the emergency food pipeline is adequate to provide for displaced persons before return to their communities, during transit and maintenance feeding for up to one year after return

- c Assess needs for possible winterization of refugee camps in Albania and Macedonia** Given the unknown duration of the on-going conflict in Kosovo, and uncertainties on how quickly all displaced populations can be returned to their communities, it is prudent to plan for large numbers of people remaining in refugee camps into winter

**Responsibility** UNHCR, USAID/ENI, OFDA

**USAID Purpose** Assure that displaced populations are cared for should the conflict be extended or difficulties in returning these populations to their communities are encountered

- d Plan a food security program** A food security plan that combines food aid with the capability to rapidly restart farm activities, especially crop planting and kitchen gardens, is a priority. Some NGOs were planning assistance for kitchen garden needs before the buildup of hostilities in February 1999. These needs are now enormous compared to planning at that time. A minimum food security plan should

- identify needs and contracting for delivery of seed for fall and spring planting
- identify needs and contracting for delivery of farm animals, machinery, equipment, tools and fuel
- identify needs and contracting for seed and tools for kitchen gardens
- identify needs for livestock herd rehabilitation, including feed stocks
- incorporate preliminary planning for a transition from emergency food distribution to using food programs as a development tool

**Responsibility** USAID/BHR/FFP and OFDA, with USAID/Belgrade

**USAID Purpose** to assure that appropriate and timely supplies are available to facilitate a rapid return to basic food self-reliance and income generation

#### **Actions After a Peace Agreement or Other Political Solution is Established**

- a Establish basic security** Recruit, train, deploy and manage provisional community based police forces to work with an international peacekeeping force to establish and maintain a secure environment throughout Kosovo. Community based security forces are necessary complements to the international peacekeeping force for the establishment of the peaceful and secure environment throughout Kosovo, which in turn is necessary to facilitate the return of displaced persons, permit necessary relief efforts for meeting basic human needs and restoration of human services infrastructure. These provisional security forces should be incorporated with locally managed civilian security services as circumstances permit.

**Responsibility** DOJ, UN, OSCE, NATO or other International Peacekeeping force  
**USAID Purpose** Assure availability of basic, trusted security services to facilitate the return of displaced populations, relief activities and reestablishment of basic governmental functions

**b Establish basic civil administration and coordination systems**

Utilize community structures and authorities identified in prior surveys to establish basic civil administration and liaisons for establishing effective relief efforts Coordinate a comprehensive assessment of the on-the-ground situation with respect to the needs of returning populations, community level physical and social infrastructure (housing, hospitals/clinics, schools, other community infrastructure) and essential services infrastructure (utilities, roads, bridges) Enlist a responsible organization to serve as overall liaison for multi-channel relief efforts Coordinate the selective return of displaced populations in Kosovo and Montenegro Coordinate the return of traditional community leaders from inside and outside of Kosovo

**Responsibility** UNHCR and OSCE, with assistance from OFDA, OTI, EU, specialized NGOs

**USAID Purpose** Coordination is necessary to facilitate effective relief efforts by donors and reconstruction activities

**c Restore community based support services to meet urgent human needs** The restoration of community based support services and implementing an effective food safety net are critical to assure that urgent human needs are met for vulnerable households This includes

- effective, comprehensive emergency food distribution systems throughout Kosovo
- potable water and sanitation
- health and medical services (medicines and medical supplies, medical staff, mobile emergency units, field hospitals and other physical/mental health facilities)
- school administration and teaching staff, school materials and supplies

**Responsibility** UNHCR, donors, NGOs

**USAID Purpose** Assure that the urgent human needs of vulnerable households are met

**d Initiate reestablishment of basic human services infrastructure** This includes restoration of essential community level physical and social infrastructure and some larger essential services infrastructure

- basic shelter requirements
- health clinics
- schools

- energy, including interim placement of electricity generator sets and restoration of power generation and distribution systems
- necessary transport and communication facilities, including access roads
- establish sources of supply for commodities needed for rebuilding (cement, gravel, roofing timbers/tile, other)

Requirements may differ substantially between urban and rural areas. A good preliminary reference is the International Management Group assessment of rural and village level needs conducted in late 1998. Severe destruction can be expected in most parts of Kosovo, particularly to private housing and businesses, community level physical and social infrastructure and essential services infrastructure. Planning for comprehensive reconstruction, including locating and contracting civil engineers and other technical personnel should be initiated.

Identification of potential sources for building materials and equipment will also be an essential element of this planning. Funding requirements, and discussion of possible USG participation through a Commodity Import Program or similar activity, will need to be considered early in the planning process.

**Responsibility** USAID/ENI, UNHCR, donors, NGOs

**USAID Purpose** Establish the conditions and systems that permit return of displaced populations

#### **Actions following establishment of basic civil administration and human services support systems and structures**

- a Initiate the orderly return and stabilization of displaced populations** After basic community structures and authorities for civil administration are set up and minimum human support structures are in place to accommodate returns of displaced populations to their communities, the return of displaced populations inside Kosovo and Montenegro should be completed and displaced populations outside of Kosovo initiated.

**Responsibility** UNHCR, donors, NGOs, NATO/international peacekeeping force, civilian security services

**USAID Purpose** Assure an orderly return and stabilization of displaced populations

- b Implement sustainable food security programs while continuing food aid distributions**

The conflict in Kosovo has severely disrupted agricultural crop planting and harvesting since the spring of 1998. Kosovo's 1998-1999 wheat crop, normally on the order of 300,000 tons, has been missed. Spring and summer, 1999, crop planting will not occur. When displaced populations return to Kosovo, no food supplies of any kind will be available. Accordingly, food aid for as many as 1.5 million people will be necessary for about a year, until the 2000 harvests. This

food aid must be delivered under very difficult logistical circumstances, especially in rural areas difficult to service due to secondary and tertiary distribution needs, difficult transport conditions, the need for different sized vehicles, etc. In conjunction with massive food aid, considerable assistance will be required to implement a comprehensive food security program, with planting beginning in September 1999.

This program will require the assured availability of appropriate seed, equipment and tools before the September plantings can be undertaken. Kitchen garden needs, planned by some NGOs for spring 1999, but not met, will be enormously larger in spring 2000.

**Responsibility** USAID/BHR/FFP, UNHCR, WFP, USAID/ENI, USAID/Belgrade, donors, NGOs

**USAID Purpose** Assure basic, predictable sustenance while comprehensive food security program is implemented and assure that appropriate supplies are available in a timely way for the food security program.

- c Accelerate restoration of human services infrastructure** Continued infrastructure rebuilding should focus on community projects, working through local authorities. This work will be a major generator of employment, especially in urban areas. Timely access to construction materials should be assured.

**Responsibility** USAID/Belgrade, donors, UNHCR, NGOs

**USAID Purpose** Facilitate reestablishment of human services infrastructure in conjunction with meeting basic human needs.

- d Establish basic civilian governmental functions** The focus will be on re-instituting local community governance systems and appropriate transfer of authorities to local government administrations. Provisional police services should be incorporated into civilian security services managed by local authorities, information sharing channels developed and made available, preliminary adjudication systems developed and put in place, and mechanisms for citizen participation in electoral processes developed and put into practice.

**Responsibility** USAID/Belgrade, OTI, donors, OSCE

**USAID Purpose** Reestablish the basic functions of local government authorities.

### **SO 3 1b Improved Response to and Management of Humanitarian Crises in Kosovo**

The improved response track is expected to yield significant, irreversible results in about three years. The highest level IRs for the improved response track of this SO are:

- Increased empowerment of Kosovar citizens through democratic political processes
- Improved foundation for sustained social and economic recovery

## **Citizen Empowerment**

Planning and developing the legal and institutional bases necessary for increased citizen empowerment outcomes must begin as soon as basic community structures and authorities are in place and will build on the soundness of resulting governmental functions established throughout the country. Fundamental for increased empowerment is progress on the institutional foundations of a functioning democracy, particularly

- More representative and responsive political and electoral processes
- Increased capacity and independence of the judiciary
- More effective, responsive and accountable local government

Citizen empowerment should begin with significant citizen participation in democratic local governance. Local elections are expected to precede elections for a constituent assembly. This will require early interventions to strengthen local government technical, managerial and service delivery capabilities. The bases of effective, responsive and accountable local government in Kosovo will be

- the strong desire of citizens to be active participants (as evidenced by the development of parallel locally inspired institutional arrangements after Kosovar autonomy was suspended)
- the capabilities of local government administrations
- the early establishment of laws and regulations that guarantee and enhance local government authority and autonomy
- mechanisms for sustainable financing of local government operations

The rapid development of the capabilities of indigenous civil society organizations (CSOs) and non-governmental organizations (NGOs) and appropriate electoral mechanisms, including the development of representative political parties, are critical to representative and responsive electoral processes. Donor support for free and fair elections will be necessary. This support could include assistance with political party development, setting up an interim central election commission with local counterparts, negotiation of interim electoral rules and regulations, voter certification and registration, election logistics and neutral international monitoring. Underpinning the entire process would be improved availability and access to balanced information. The development of a strong, objective media would be the fundamental basis for fostering sustainable democratic political and electoral processes. Creating a mechanism for selecting representatives to a constituent assembly to consider elements of a pluralistic legal framework for Kosovo should be accorded priority attention. Expert technical assistance may be necessary to provide background and focus. Rebuilding a core central government civil service is also a priority undertaking.

The establishment of a capable and independent judiciary will require passage and implementation of substantive and procedural laws and regulations governing the judicial system and enactment of effective and fair laws and regulations that protect civil and

economic rights In the near term, however, it will be necessary to establish interim operating procedures for an effective Kosovar judiciary that meets applicable human rights standards and arrange the interim appointment of judges, prosecutors and public defenders

### **Social and Economic Recovery**

Sustained social and economic recovery requires priority attention to

- Improved sustainability of health and human services
- Increased economic opportunity and income

The attainment of these objectives will build on substantially meeting the urgent human needs of vulnerable households and reestablishment of basic human services infrastructure It is envisioned that the PL-480 Title II program will change emphasis from meeting emergency food requirements to a development oriented program focused on community based support services and other development objectives

Sound management and effective delivery capabilities must be planned for and incorporated into Kosovo's health care and educational systems early on This requires appropriate incentives to assure cost effectiveness, an emphasis on prevention in health care philosophy and timely recruitment and training of educational and medical personnel

Incomes can initially be enhanced by self-selection for participation in food for work programs and participation in reconstruction of community level physical and social infrastructure and the larger services infrastructure essential to support increased economic activity throughout Kosovo Restoring private sector productive capacity to restart production quickly and create immediate employment is critical to generating increased incomes and stabilizing returned populations Priority attention should be given to providing appropriate support for micro, small and medium enterprise production A substantial microenterprise program should be implemented early on to finance start-up and recovery operations of small entrepreneurs Such a program would not only provide safety net incomes but also finance the rebuilding of lost business assets essential to basic economic recovery Financing and technical assistance should be made available for basic agriculture and agribusiness development Early drafting and implementation of commercial laws and regulations favorable to private investment and enterprise development are critical to sustained economic recovery These laws and regulations should be consistent with inculcation of an overall policy and institutional framework conducive to the rapid emergence of a sustainable, productive market economy

### **4 Proposed Performance Indicators**

Until comprehensive assessments of actual needs are conducted and analyzed, Mission will judge performance in terms of interrelated threshold events Such events for the immediate response track (not necessarily chronological) would be

- basic civilian security services cooperating with international peacekeeping force in place
- basic community structures and authorities reestablished
- liaisons for effective relief efforts established
- displaced populations substantially returned to their communities
- basic civilian governmental functions established
- urgent human needs for vulnerable populations substantially met
- basic human services infrastructure substantially reestablished

Threshold events for the improved response track would include

- central election commission and local counterparts established
- elements of free and independent media in place
- free and fair local elections completed
- interim judicial system in place
- constituent assembly elected
- adequate health care services widely available
- adequate community school systems reestablished
- effective and fair laws and regulations that protect civil and economic rights and promote private investment and enterprise development enacted
- significant restoration of human services infrastructure accomplished
- significant, sustainable economic recovery underway

## **5 Program Approach**

The basic program approach is to be collaborative, cooperating with other countries, international institutions, other donor organizations and NGOs in flexible ways to determine relative strengths in terms of who would take the lead in particular areas. In many projects, USAID would take the organizing lead, in others it could serve as a coordinator or information clearing house.

U S Government participation in the Kosovo recovery program should create a model for our cooperation with other donors, with all USG-provided resources integrated into a coherent program based on a single overall strategy.

## **6 Partners**

Rebuilding Kosovo will be an enormously complex and expensive undertaking over a period of several years. The U S can make significant contributions, but the challenge of meeting basic human needs, rebuilding civil society institutions and the country's physical infrastructure will require substantial participation by other countries, in particular those of the EU.

Although a number of policy issues would need to be addressed beforehand, we also believe that the skills and resources of the international financial institutions (IFIs) will be essential to a successful recovery, reconstruction and stabilization program in Kosovo. In this regard, we anticipate that USAID and other bilateral donors will be able to more quickly initiate urgent recovery and reconstruction programs, meeting critical program needs while waiting for larger EU or IFI programs to come on line.

#### **D Strategic Objective Plan for Montenegro**

Montenegro is the republic, which with Serbia, together form the FRY. Montenegro's contribution to the FRY's GDP is small—around 5%. Montenegro's economy is based on agriculture, trade, transport and tourism. With ports on the Adriatic, it provides the FRY's only access to the sea. Although historically weak economically, Montenegro has a strong tradition of politically independent thought and self-reliance.

In October 1997, Montenegrins elected as president Milo Djukanovic by a slim majority. He has been unusually resistant to federal demands not perceived to be in Montenegro's best interests. He has successfully resisted Belgrade initiatives to increase Federal prerogatives in the Republic. He has declared Montenegro to be "neutral" in Serbia's conflict with NATO and has allowed large numbers of Kosovars to take refuge in Montenegro. He has resisted Serbian requests to integrate Montenegrin security forces with the FRY military. Significantly, he is following through on his beliefs that only through extensive political and economic reforms will Montenegro overcome a tradition of low incomes and relative poverty.

USAID activities in Montenegro continue to support two basic policy and programmatic goals. First, to support the democratic and reform-minded government. Second, to use the lessons we learn in Montenegro to prepare for similar program interventions in Kosovo and Serbia.

Montenegro currently faces an extremely volatile and tenuous economic and political situation that is largely due to the political and military crisis in Serbia over Kosovo. A pro-reform republic government and an intact infrastructure will allow work on democratic and economic reform activities to continue and accelerate after peace is restored. To this end, USAID should be as active as possible to shore-up the democratic foundation while at the same time continuing economic reform activities to support the democratic government. Consequently, USAID assistance will focus on strengthening pluralism through improvement in the civil society (including political process, decentralization and transparency) and economic empowerment to enhance prosperity and promote wider citizen participation in economic choice and decision-making. In addition, USAID should take the initiative and use its leadership role in Montenegro to engage other international donors to participate in this effort.

Our programs must, however, recognize and address the critical threats faced by the government and the people of Montenegro in the immediate future. To this end, continued budget support and social assistance for the people of Montenegro, and



generous burden sharing of the support being provided by Montenegro to Kosovar IDPs, must be pursued

### **Rationale and Plan for strategic Objective 1 3 Accelerated Growth and Improved Performance of Private Enterprise in Montenegro**

#### **1 Statement of Strategic Objective 1 3 Accelerated growth and improved performance of private enterprise in Montenegro**

USAID will consider this strategic objective to be achieved when Montenegro has a growing and flourishing private sector which is characterized by dynamic small and medium enterprises (SMEs) doing business in a market oriented enabling environment. This environment will support risk taking, entrepreneurial initiative and sustained expansion. As the policy environment and operational performance improve, SMEs will generate employment opportunities for a competent, cost-effective workforce. They will spearhead growth throughout the economy by providing services and products to integrate Montenegro's sector comparative advantages, through their ability to rapidly adjust to changing technologies and new opportunities.

These accomplishments are not expected to be fully realized in the short three year period addressed by this strategy document. But there is evidence that substantive, irreversible progress towards this outcome will be achieved within three years with appropriate USAID and other donor support.

#### **2 Problem Analysis**

Montenegro has distinguished itself from Serbia in the way it is aggressively pursuing democratic and economic reforms. These efforts are often impeded by federal policies hostile both to the republic's policy objectives and to Montenegro itself. Montenegro is aggressively seeking foreign investment, but has been severely constrained in these endeavors by the international sanctions placed on the FRY because of FRY non-compliance with the Dayton accords, Serbia's continuing hostilities in Kosovo and the fact that many important policies and institutions that affect the Republic's economy emanate from Belgrade.

Important in this regard are prescriptive securities laws, a Federal Central Bank and common monetary unit, and federal monetary and fiscal policies that impact on savings, investment and inflation. Fortunately, Montenegro's status as an "independent" republic does permit some flexibility in areas such as regional business promotion and development incentives, requiring banks located in Montenegro to behave "as if" chartered by the Government of Montenegro, non-bank credit programs, business ownership structures and privatization, business taxation and social security programs.

The major constraints that have impeded progress on accelerated growth and improved performance of private enterprise in Montenegro have been

- an inadequate or unfavorable policy, legal and regulatory framework
- state ownership of assets that have no defined public purpose that could likely be more productive if owned and managed by private sector interests
- limited access to financial resources of all kinds credit, equity, insurance
- inadequate business systems and practices
- limited access to information resources and appropriate technology

A variety of restrictive policies, laws and regulations constrain the development of a free market, competitive private enterprise system. Examples of restrictive laws and regulations include

- requirements for a minimum number of employees for certain registered enterprises
- requirements that businesses register transactions and deposit daily cash receipts with the Bureau for Internal Control

Structural reform measures to increase savings and investment, despite the constraints of federal policies, laws and regulations, are critically important. Nominal business profits tax rates in Montenegro, at 28%, though not low, are not oppressive. But companies are responsible for paying income and social security taxes equivalent to 100% of base wages (down from 120%). This consists of 19% income tax plus 81% social security (health and pensions) taxes. Informal transactions in Montenegro are common, even in the ostensibly “formal” economy.

An all-encompassing and transparent privatization process could be the cornerstone of economic development and growth in Montenegro. This process has been slower than was expected when the Government of Montenegro announced it as policy in late 1997. An enabling privatization law was passed in February 1999. Two kinds of privatization are envisioned: voucher based mass privatization and tender privatization. The privatization process will be complemented with a share registry and depository facility for secondary trading that may succeed despite cumbersome prescriptive federal regulations. Privatized firms are assumed to be more efficient because they must compete in the market and be responsive to customer demands in order to survive. Accordingly, voucher privatization, although criticized as not immediately drawing in new investment or more astute management, is an essential undertaking. In a favorable environment, private firms are generally more likely to attract new investment, offer increased employment and make greater contributions to economic value added.

Most enterprises in Montenegro have little or no access to commercial financial resources. The banking system practically collapsed during the hyperinflation of the early nineties and has not yet recovered. Loan delinquency is very high. Most banks have severe liquidity problems, and do not make long term loans. Micro and small enterprises have difficulty accessing even high interest short term lending. The banking system has been in need of comprehensive restructuring for several years. The Government of Montenegro could probably sponsor restructuring of some banks operating in

Montenegro, but it would be very expensive. There is no effective, independent bank supervisory authority in Montenegro, so this needs to be taken into account.

International sanctions impede investor transfers and the proposed securities market in Montenegro is not yet functioning. Nevertheless, non-bank financial institutions such as microenterprise facilities and other institutions serving the SME sector that operate outside the formal banking system, can be viable in Montenegro. In 1996, there were 260 state-owned enterprises and 11,500 registered businesses. Of the 11,500 registered private businesses, 5,600 were sole proprietorships and 5,900 were corporations. Of these latter, by type 1,534 were production enterprises, 1,416 were non-retail services firms and 2,950 were retail firms. Some 93% employed fewer than 50 workers. 55% employed 5 or fewer workers. Accordingly, firms in Montenegro are predominately micro, small and medium enterprises. There are about 20 registered businesses for every 1,000 people in Montenegro.

Enterprise systems and practices in Montenegro are generally inadequate and need to be modernized. Entrepreneurs often have good ideas, but do not necessarily have good personnel management skills, or the skills necessary for financial and strategic planning. Businesses in Montenegro can be characterized by operational short-term survival perspectives that emphasize taking each day as it comes, with limited attention to the future. Entrepreneurs react on a day to day basis to changing market conditions and frequently changing regulations and enforcement realities, and do not generally operate on the basis of sound business plans based on market and financial analyses. This reactive mode impairs the ability to produce competitively or provide efficient service to customers. Business centers, chambers of commerce and other types of business associations are uncommon. Business associations are useful for building sound business systems and practices because they encourage collaboration among businesses with common characteristics to improve production techniques, quality and distribution networks. Experience in the region has shown that improved business and production practices can, through improved efficiency, significantly reduce the need for immediate new investment. Like increased trade, improved efficiency usually has impacts similar to new investment.

Sector information that is easily available and useful is not generally available in Montenegro. Such information is the foundation of good business plans, and can substantially improve the operating environment of enterprises. The high incidence of informal sector business operations in Montenegro, even in registered businesses, exacerbates the information exchange problem.

Sector surveys, the results of which are widely disseminated, can be an effective solution to the existing paucity of critical sector information. These surveys are most effective when carried out by private organizations with incentives to do periodic updates. Service organizations, financial institutions and the government could productively use this kind of information in responding to the needs of the sector.

The Internet is an essential channel of information to entrepreneurs who wish to be up to date on technology and markets. The Internet is an interactive resource in that entrepreneurs can use it to provide information on their own products and services as well as use it as a source of information on markets, suppliers, technology, business systems and financing mechanisms. Internet use by entrepreneurs in Montenegro is not widespread for any purpose.

### **3 Results Framework**

#### **SO1 3 Accelerated Growth and Improved Performance of Private Enterprise in Montenegro**

Based on the above problem analysis, accelerated growth and improved performance of private enterprise in Montenegro requires substantive progress on four first level IRs

- Increased transfer of state-owned assets to the private sector
- Improved small and medium enterprise systems and practices
- Increased access to financial resources
- Increased availability and access to information resources

Attainment of these IRs will require timely progress on

- strengthened commercial law and financial system law codes with simple, transparent regulatory procedures
- elimination of laws, regulations and government practices not conducive to a free market private enterprise system
- accelerated implementation of structural reforms favorable to private enterprise

##### **a Increased transfer of state-owned assets to the private sector**

Progress on privatization will require

- increased use of effective privatization modalities
- expanded development of capital markets institutions and associated regulatory authorities

##### **b Improved small and medium enterprise systems and practices**

Progress on improved enterprise systems and practices will be the product of

- increased technical assistance, training and local support facilities for SME development
- business centers, chambers of commerce and other business associations developed and strengthened

##### **c Increased access to financial resources**

Necessary to achieve substantive progress on increased access to financial resources are

- increased incentives and mechanisms for lending to SMEs on commercial terms
- accelerated development of markets and financial instruments for equity securities and venture capital

#### **d Increased availability and access to information resources**

Progress on increased availability and access to information resources will require

- improved sector surveys providing timely, useful information to businesses, investors and government
- increased access to Internet and other business database facilities

### **4 Proposed Performance Indicators**

Core indicators that will be used to track progress on this SO and serve as management tools include

- Contribution of private sector enterprises to GDP (% of total)
- Number of state-owned enterprises privatized
  - with vouchers
  - by tender
- Changes in business optimism and expansion plans (proxy for increased profits)
- Value of outstanding loan portfolio
  - microenterprise lending
  - SME lending
- Number of businesses regularly using sector survey information

### **5 Program Approach**

The Mission's private sector strategy for Montenegro was developed drawing on lessons learned in other countries in the region, adapted to the special circumstances of Montenegro. The bases for the kinds of activities to be undertaken and expectations in terms of results are

- Government of Montenegro policies will continue to be based on pursuing genuine reform and be enabling, even if federal policies change slowly
- programs and activities should be demand driven
- local partners and other donors involved in these areas can make significant contributions to the viability of USAID activities through complementary and associated activities, thereby providing a reasonable likelihood of long-term sustainability

The sanctions environment under which all private sector assistance activities operate does constrain the scope and types of activities that can be successfully undertaken. It is for this reason that the Mission carefully evaluates this environment when choosing activities and setting targets for results. The sanctions environment affects direct investment in Montenegro, international currency transactions and normal banking operations. The sanctions environment is more serious than even highly prescriptive federal regulations, since Montenegrins have become fairly adept at finding ways to overcome many of the obstacles presented by federal laws, regulations and practices.

Since we share President Djukanovic's vision that a well implemented, transparent privatization program is key to business development and economic progress in Montenegro, USAID provided critical assistance for drafting the privatization law passed in February, 1999. While the legislation was prepared and discussed, USAID and the British Know How Fund initiated preliminary work on both the mass privatization voucher component and the tender components the GOM wanted to pursue. USAID is supporting a local, private sector think tank, the Institute of Strategic Studies and Prognosis that will work in the areas of financial market development, securities market development, policies to encourage investment, and pension reform. The Institute will advocate for needed changes to existing laws and regulations, develop training programs for managers, policy makers and others, and conduct special surveys to provide information not otherwise available.

USAID also supports the Center for Entrepreneurship that provides business support services and courses for entrepreneurs (especially women entrepreneurs) who have on-going businesses or plan to start a business. USAID and the Center will work together to carry out surveys to establish a database of the characteristics of local entrepreneurs that permits tracking progress over time. It is expected that the Center will be a model that can be replicated in other parts of the FRY.

Increased access to capital is being supported by a small and micro lending activity that will employ best practices to provide critical lending to sole proprietorships and small businesses. An agricultural integration activity is planned in support of the Montenegrin dairy sector that will integrate collection points, efficient transportation, effective marketing and quality genetic material.

## **Rationale and Plan for Strategic Objective 2.1 Strengthened More Pluralistic Democratic Political Culture in Montenegro**

### **1 Statement of Strategic Objective 2.1 Strengthened More Pluralistic Democratic Political Culture in Montenegro**

The Government of Montenegro has requested USAID's assistance in reforming its political culture through activities in rule of law, local governance, and other civil society activities as mutually agreed upon. It is the objective of USAID/Belgrade to work in tandem with the republic, our partners and with other donors on this objective. In three years USAID, given full programmatic presence, expects to see a free and independent media, an active group of NGOs in civil society and in political process, as well as a transparent and interactive legal framework.

## **2 Problem Analysis**

Montenegro has been moving closer and closer to calling for independence because of the attempts by the autocratic FRY government to change the federal constitution that would have boosted powers of the federal presidency at the republic's expense. In addition, the FRY government, through its use of federal powers, is slowly choking the economy through trade restrictions, and trying to restrain democratic reform. These challenges for power may continue in the future depending on the outcome of the current hostilities. Montenegro reinforced its commitment to democracy in the May 1998 parliamentary elections when the government won an unexpectedly large mandate.

The current government of Montenegro is moving as fast as it can in this environment of military and political hostilities. However, the FRY government, through its supporters in the republic parliament, is hindering the process through slowing legislation.

The electoral reaffirmation in May 1998 allowed the GOM some time to move forward in its reform objectives. The GOM needed quick action because their electoral mandate was expected to be tested by opposition parliament members in early 1999. Therefore, at the specific request of President Djukanovic, USAID was asked to assess the possibilities for reform of the judicial and local governance areas prior to the end of 1998. Politically, Montenegro continues as a bright spot for democracy in the FRY and a thorn in the side of the Milosevic regime. Our efforts in solidifying a more pluralistic and democratic political culture should be strong, energetic and supportive.

The major constraints that may impede the progress for this SO are

- An inadequate or unfavorable legal and regulatory framework to facilitate reform
- Slowness of reform legislation to pass the parliament
- Public and bureaucratic mindsets used to working the socialist way

The GOM's reform agenda in cooperation with USAID and other donors is expected to address these constraints from the outset of activities.

## **3 Results Framework**

Based on the above problem analysis and the almost unequalled receptivity to reforms, we are proposing an ambitious results framework in line with the GOM's ambitious reform agenda, which is also designed to be an example to the people of Serbia on the attributes of being a free and open democracy. For this to be successful, Montenegro requires substantive progress on the following first level IRs

- **Legal system that sustains democratic processes and reforms**
- **Increased public policy advocacy, capability and effectiveness by independent media**
- **More effective political advocacy of civil society NGOs**
- **Increased capability of political parties to present their message**

Attainment of these IRs will require timely progress on

**a Legal system that sustains democratic processes and reform**

**Progress on legal reform will require**

- Improved judicial process at republic level
- More impartial electoral procedures and administrative practice adopted

**b Increased public policy analysis and reporting by independent media**

**Progress on increased public policy information will require**

- Improved legal, regulatory, and commercial environment to promote independent media operations
- Quality of reporting and management of independent media enhanced

**c More effective political advocacy of civil society NGOs**

**Progress on political advocacy will require**

- Civil society NGO coalitions developed and sustained
- Increased sustainability of civil society NGOs
- Civil society NGO constituencies needs and concerns represented at local and republic levels

**d Increased capability of political parties to present their message**

**Progress on political party building will require**

- Increased membership base and constituency responsiveness
- Political party organization and coalition building skills increased

#### **4 Proposed Performance Indicators**

The following core indicators will be used to track progress on this SO and serve as management tools

- Constitution of Montenegro is amended to incorporate international human rights instruments to which FRY is a signatory
- The judiciary is independent
- NGO law passed



- Election law passed
- Independent media outlets and groups formed to promote and protect freedom of expression
- Active NGOs including trade unions, professional associations, women's groups, and political parties

## 5 Program Approach

The Mission's democracy sector strategy for Montenegro was developed in close cooperation with the Ministry of Justice which has the government mandate to manage reforms in the democracy and governance sector. As in the case of SO 1.3, bases for the kinds of activities to be undertaken and expectations in terms of results are

- Government of Montenegro policies will continue to be based on pursuing genuine reform and be enabling, even if federal policies change slowly
- Programs and activities should be demand driven
- Local partners and other donors involved in these areas can make significant contributions to the viability of USAID activities through complementary and associated activities, thereby providing a reasonable likelihood of long-term sustainability

Over the next three years, under the direction of the Government of Montenegro, USAID will assist the GOM to create a viable, interactive, transparent, and representative democratic society. USAID will work to establish democratic institutions, an informed and educated civil society, and a relationship between the republic and its constituents that encourages pluralism and inclusion. The promotion of democracy is a long-term process that will require sustained commitment and timely and politically adept interventions.

USAID must pay considerable attention to the dynamic political situation and consequently, must work closely with the Department of State and donors to ensure the program approaches are correct. Timing is critical in keeping the reform minded government on the democratic path. USAID has already been quick to respond to both rule of law and local government reform requests by funding assessments within six weeks of the requests. In addition, activities will be developed and implemented with the participation of appropriate local groups.

In the fall of 1998, USAID/Belgrade began its civil society reform program with an activity to support community schools by strengthening and developing the parent-school relationship. Parents and the school staff developed plans together on issues ranging from curriculum to school renovation. The activity started well but is now temporarily on hold pending the conclusion of the military situation.

A smaller activity in the judicial sector also started in late fall working with the Ministry of Justice on the broad aspects of judicial reform, assisting in the drafting and analyzing of laws, providing out of country training and working with the law faculty on curriculum

reform. A larger comprehensive rule of law activity is envisioned that will work to put new legal procedural and institutional safeguards in place and provide legal training to professionals with focus on the criminal legal system. With international assistance, rule of law activities will be expanded to include work with all major players in the judiciary.

While independent media is free to operate in Montenegro, it needs assistance in upgrading its management and its quality of news, and production. In addition, the legal and regulatory framework will need to be analyzed for areas of improvement and the commercial environment for independent media, in terms of unfair competition from the state sector, will need to be assessed. USAID/Belgrade will work with both print and electronic media.

An NGO initiative will be developed to include training and possible grants-in-aid. An umbrella NGO organization will either be developed or strengthened depending on findings from the assessment phase.

Unions, student groups and NGOs will be developed and/or strengthened to become active in the political process and more representative to the views of their constituents. Management training for the organizations themselves will be important for sustainability.

Political parties will be trained in being more effective voices of their members. Training will be a key area for this group as well as follow-up activities to ensure their capabilities have improved. Management training for the parties themselves will be important for sustainability.

USAID/Belgrade's cross-cutting training activity will be working with the above projects in order to develop a coordinated and integrated training plan.

## **6 Partners**

The Government of Montenegro is pursuing far-reaching reforms and has specifically requested USAID assistance. It is working closely with USAID/Belgrade on formulation of projects. While not yet tested, it is expected that appropriate local community groups and local NGOs are committed to a free and open democratic society. USAID/Belgrade anticipates working closely with local groups to ensure that the needs of the local community are being adequately addressed. The donor community remains small at the present time but USAID/Belgrade has other donors to work in this sector. It is expected that post-peace settlement, donor activity and commitment will increase greatly. Hence a greater need to coordinate actively.

## **7 Sustainability**

We are fortunate in Montenegro to have an open and transparent working relationship with all levels of the government. They have requested training and reform assessments while working closely with us to ensure that their needs and our capabilities and ideas are fully integrated. Democracy in Montenegro can be sustained but it will require our

intense efforts over the next three years and more likely through two to three more republic wide elections. This is certainly achievable as long as we sustain our commitment and a reform minded government is in place

How do we ensure that this sustainability is built into the program? At times it will be incumbent on the GOM to push appropriate legislation through parliament that will ensure the legal framework for activities to, indeed, be sustainable. Without the proper legal framework, much of what the GOM wants to reform cannot happen

The GOM has a yet undefined plan for an “institute for reform” which should assist in directing and sustaining reforms. Training activities in all key areas of democracy reform, carried out directly by donor programs and by the institute, will serve to build an ever-larger local constituency for continued reform

## **Rationale and Plan for Strategic Objective 2.3 More Effective, Responsive and Accountable Local Government in Montenegro**

### **1 Statement of Strategic Objective 2.3 More Effective, Responsive and Accountable Local Government in Montenegro**

The Government of Montenegro is committed to reforming its local governance structure as a key element of its pledge to become more responsive to the needs of its citizens. To assist with this pledge, the GOM has asked for assistance from USAID/Belgrade to work jointly with its municipalities and local civic and professional organizations. Improving the integrity, transparency, efficiency, and accountability of constituent services are all critical to the successful reform of local governance. In three years USAID, given full programmatic presence, expects local governance in Montenegro to be more effective, responsive and accountable

USAID will consider this strategic objective to be achieved when Montenegro has an active base on which local government can operate freely and openly. It can be characterized by free and fair local elections, by an adequate resource base from which local leaders can address local investment priorities, and an active citizenry participating through town meetings and public interest groups. While much can be done in three years to assist the sector, more time may be needed in order to institutionalize the new structures and expectations

### **2 Problem Analysis**

Montenegro has a population of about 640,000, and 21 municipalities. Although local governance projects in other areas in Europe and the newly independent states operate on larger scales, Montenegro's status as a reform minded republic in a highly centralized federal system creates its own dynamic regardless of the size. That dynamic is, however, complicated by the fact that some of Montenegro's municipalities remain committed to working for the socialist leadership of the FRY while others are in line with the GOM

and will work for democratic and economic reform across the spectrum. Moreover, during the Tito years (1950s to early 1980s), governance authorities were actually decentralized to the local level and it has only been about 10 to 12 years that “recentralization” of power to the republic government has characterized the relationship with local authorities. In this environment, complete with political and economic competition with the FRY, the GOM has launched an ambitious reform strategy that includes local governance.

The major constraints that may impede the progress for this SO

- An inadequate or unfavorable legal and regulatory framework to facilitate reform
- Slowness of reform legislation to pass the parliament
- Public and bureaucratic mindsets used to working the socialist way

The GOM’s reform agenda in cooperation with USAID and other donors is expected to aggressively address these constraints from the outset of activities.

### **3 Results Framework**

Based on the above problem analysis and the almost unequal receptivity to reforms, we are proposing an ambitious results framework in line with the GOM’s ambitious reform agenda, which is also designed to be an example to the people of Serbia on the attributes of being a free and open democracy. For this to be successful, Montenegro requires substantive progress on the following first level IRs:

- **Government responsiveness to citizens at the local level increased**
- **Adequate financial resource base for local government exists**
- **Capacity of municipal and professional organizations increased**

Attainment of these IRs will require timely progress on

#### **a Increased government responsiveness to citizens at the local level**

Progress on government responsiveness will require

- Legal and regulatory reforms that decentralize power to duly elected local government
- Mechanisms of citizen participation increased
- Local Government capability to manage municipal services improved

#### **b Adequate financial resource base for local government exists**

Progress on financial normalization will require

- More efficient use of municipal resources by local government
- Local government capacity to raise and determine own-source revenue enhanced

- Predictable, timely, fair and transparent system of inter-governmental transfers in place

#### **c Capacity of municipal and professional organizations increased**

Progress on capacity building of organizations will require

- Representation of city interests before the central government by the municipal and professional associations enhanced
- Institutional development strategies for municipal associations implemented
- Municipal management capability and constituency outreach enhanced

### **4 Proposed Performance Indicators**

The following core indicators will be used to track progress on this SO and serve as management tools

- Direct election of mayor and municipal assembly
- Monthly town meetings
- Revenues collected by the republic and municipality are distributed expeditiously to the appropriate office within the municipality
- Municipality revenue stream stable enough to plan capital investment budgets
- Strengthened regionally based national association of municipalities to act as a lobbying agency for local government at the republic level

### **5 Program Approach**

The Mission's local governance sector strategy for Montenegro was developed in close cooperation with the Ministry of Justice which has the government mandate to manage reforms in the democracy and governance sector. Bases for the kinds of activities to be undertaken and expectations in terms of results are

- Government of Montenegro policies will continue to be based on pursuing genuine reform and be enabling
- Programs and activities should be demand driven
- Local partners and other donors involved in these areas can make significant contributions to the viability of USAID activities through complementary and associated activities, thereby providing a reasonable likelihood of long-term sustainability

Over the next three years, under the direction of the Government of Montenegro, USAID will assist the GOM to create a stable, responsive, transparent, and representative local governance environment. USAID will work to decentralize structures in conjunction with governments on both the republic and local level as well as with civic and professional organizations. Success in this area is a long-term process that will require sustained commitment and timely and consistent interventions.

The activity would aim to improve the integrity, transparency, efficiency, accountability and constituent services deemed critical to transforming municipal government and finance. To be successful, the republic government will need to facilitate the decentralization process. It is expected that the approach would have several elements assisting with the republic government's participation, selecting reform-minded cities to participate, implementing necessary legislation, training, documenting successful practices, and developing ways to replicate positive results.

In order to support the reform successfully, the implementing contractor will need to have at least two resident international staff as well as a number of technical assistance consultants to support areas of specific concern such as the economic development of the municipality. Economic development in a municipality could include tourism development and other activities where municipal policy, planning or investment can have a significant impact. The municipality will receive additional revenues in the form of taxes from the increased spending of tourists, entrepreneurs and consumers.

## **6 Partners**

The Government of Montenegro is pursuing far-reaching reforms, has specifically requested USAID assistance, and is working closely with USAID/Belgrade on formulation of projects. In the area of local governance reform, USAID/Belgrade plans to work closely with local civic and professional groups in addition to the republic and municipal governments to ensure the needs of the local community are being adequately addressed. USAID also plans to work with the republic wide municipal association to strengthen its role in the reform effort. The donor community remains small at the present time but USAID/Belgrade has encouraged other donors to work in this sector. It is expected that at a time soon after a peace settlement is in place, donor activity and commitment will increase greatly. USAID/Belgrade will be active in coordinating donor support.

## **7 Sustainability**

The Government of Montenegro has taken the lead in planning an aggressive and wide ranging reform agenda. To this end, the GOM has allowed the donor community to have an open and transparent working relationship with all levels of its government. In addition, they have requested training and reform assessments while working closely with USAID/Belgrade to ensure that their needs and our capabilities and our joint ideas are fully integrated.

To ensure sustainability is built into the program, the GOM, at times, may need to push appropriate legislation through parliament that will ensure the legal framework for activities to be sustainable. Without the proper legal framework, much of what the GOM wants to reform cannot happen.

The GOM proposes to establish an NGO "institute for reform" which should assist in directing and sustaining reforms—a "watchdog" of sorts to keep reforms on track.

Training activities in all key areas of governance reform, carried out directly by donor programs and by the institute, will serve to build an ever-larger local constituency for continued reform

Sustainability can also be strengthened through integrated economic reform activities through SO 1.3 Economic growth should bring more revenues to the municipalities through a revised tax structure. In addition, the establishment of business centers and chambers of commerce may bring new commerce to areas, such as the tourism to the coastal and mountain cities

The reforms can be sustained but it will require a reform minded GOM as well as our intense efforts over the next three years and possibly several more

## **E Strategic Objective Plan for Serbia**

### **Rationale and Plan for Strategic Objective 2.1 Strengthened More Pluralistic Democratic Political Culture in Serbia**

Since USAID's initial assessment in February 1997, prospects for rapid democratic reforms at the national level have fluctuated enormously. Prior to the current political and military crisis, USAID was actively supporting advocates of democracy as they promoted more participation and more interest in an open and free democratic environment. In addition, promising new programming opportunities were being seen

The critical importance of democratic development in Serbia to our broader objectives in the Balkans and in Europe requires that we maintain our engagement in these programs. Forward planning needs to be undertaken now and potential projects need to be thought through even under current conditions. Consequently, the Mission has opted to include a strategic objective for Serbia that could begin activities soon after a peace settlement. For this to occur however we need to state initially the following major assumption

**Assumption A new pro-west and pro-democracy government must be in power in Serbia and at the Federal level**

#### **1 Statement of Strategic Objective 2.1 Strengthened More Pluralistic Democratic Political Culture in Serbia**

Over the next three years, USAID will work aggressively to create a viable, interactive, transparent, and representative democratic society in Serbia, while recognizing that results will take longer to reach due to the severe societal dislocations which may have resulted from the prolonged NATO bombing campaign. In this environment, USAID will work to establish democratic institutions, an informed and educated populace, a functional civil society, and a relationship between the FRY and the Serb republic governments and their constituents that encourages pluralism and inclusion. The promotion of democracy is, in this case, a longer-term process that will require sustained commitment and timely and politically adept interventions

With the institution of a positive government, we expect it will want to reform its political culture by improving the integrity, transparency, efficiency, and accountability of democratic society. It is the objective of USAID to work in tandem with the appropriate government entity, non-governmental partners and donors on this objective. In three years USAID, given full programmatic presence, expects to see a free and independent media, an active group of NGOs in civil society and political process, a transparent and interactive legal framework, and a local government returning to accountability and responsiveness.

## **2 Problem Analysis**

The problem currently is an oppressive federal and republic government. Implementation possibilities over the next three years can be conjectured to be anything from full implementation with a supportive government to no activity at all with the existing government---or some variation in between. Success will vary given the environment but our assumption is that a new government that is pro-reform will take over.

Initially, USAID will have to make preliminary contact with counterparts and arrange short trips (in conjunction with grantees) to Belgrade to test the attitude for assistance in democratic reform. It is expected that this practice would remain in place until a free and independent media is broadcasting and printing the news without censorship. In addition, the FRY government (if it maintains its control of some media outlets) will have to change its media propaganda toward the West. The West and especially the U.S. must also be active in assisting with rebuilding the FRY for our image to change.

An important uncertainty to keep in mind is that due to the bombing there is much hatred toward the western community, to the degree that it may remain dangerous for anyone associated with the USG, international staff and Serb staff alike, to work in Serbia, even on democracy activities. Therefore, it is unknown at the present time whether any of our Serbian counterparts will want to work with us again. However, we think that if both the government and the media are open and free, and accurate information on the reasons for the NATO campaign are made clear, that attitudes will gradually change.

## **3 Results Framework**

Based on the above problem analysis and assuming receptivity to reforms of a pro-western government, we are proposing an ambitious results framework in line with the needs of an emerging democratic Serbia. For this to be successful, Serbia requires substantive progress on the following first level IRs:

- **Legal system that sustains democratic processes and reforms**
- **Increased public policy analysis and reporting by independent media**
- **More effective political advocacy of civil society NGOs**
- **Competition and capacity of multi-party political process strengthened**
- **Increased capability of political parties to present their message**
- **More effective responsive and accountable local government**



Attainment of these IRs will require timely progress on

**a Legal system that sustains democratic processes and reforms**

Progress on legal reform will require

- Improved judicial process at republic level
- More impartial electoral procedures and administrative practice adopted
- Legal framework revised

**b Increased public policy advocacy, capability and effectiveness by independent media**

Progress on increased public policy advice will require

- Improved legal, regulatory, and commercial environment to promote free independent media operations
- Quality of reporting and management of independent media enhanced

**c More effective political advocacy of civil society NGOs**

Progress on political advocacy will require

- Civil society NGO coalitions developed and sustained
- Sustainability of civil society NGOs increased
- Civil society NGO constituencies needs and concerns represented at local and republic levels

**d Capability of political parties to present their message increased**

Progress on political party building will require

- Membership base and constituency responsiveness increased
- Political party organization and coalition building skills increased

**e More effective, responsive and accountable local government**

Progress on local governance reform will require

- National association of municipalities strengthened
- Legal and regulatory reforms that decentralize power to duly elected local government
- Local government management capacity increased

#### **4 Proposed Performance Indicators**

The following core indicators will be used to track progress on this SO and serve as management tools

- Active NGOs including trade unions, professional associations, women's groups, and political parties
- The judiciary is independent
- Public Information law repealed
- University Law repealed
- NGO law passed
- Election law passed
- Independent media outlets and groups formed to promote and protect freedom of expression
- Active NGOs including trade unions, professional associations, women's groups, and political parties
- Credible and effective elections held
- Strengthened regionally based national association of municipalities to act as a lobbying agency for local government at the republic level
- More efficient, transparent, and better managed municipal governments

## 5 Program Approach

The Mission's democracy sector strategy for Serbia is based on the understanding that an intense and challenging range of activities will be needed to begin to build a democratic infrastructure. USAID/Belgrade's expectations in terms of results are

- A new pro-west government must be in power in Serbia and at the Federal level
- Government policies will be based on pursuing genuine reform
- Programs and activities should be demand driven
- Especially in a post-conflict environment, USAID in cooperation with local partners and other donors, can make significant contributions to a democratic Serbia through complementary and associated activities

A key question is, how long can we wait after a peace settlement to reengage? Assuming that a peace settlement is in place, we would hope to be able to begin limited activity within 3 months. Limited activity would mean third country training and initial brief technical assistance visits to Belgrade by some of the international grantee and contract staff as well as USAID staff. It is expected that this practice would remain in place until a free and independent media is broadcasting and printing the news without censorship. In addition, the FRY government (if it maintains control of some media outlets) will have to change its media propaganda toward the West.

Projects will need to begin as soon as possible after a pro-democracy environment returns to Serbia. USAID would work on electoral reform and on rule of law activities with focus on the legal system designed to sustain the democratic processes. An active media project would be crucial to success with activities in both print and electronic media outlets. An NGO project would develop and sustain a range of support to specialized

civic action NGOs as well as provide assistance in drafting a revised NGO law. Work in the sector of political process would strengthen and focus political parties to present clear messages as well as strengthen their constituency base. Finally, a local government activity would assist conflict-ravaged municipalities to begin the process of rebuilding governance infrastructures and increasing public participation by constituents.

## **6 Partners**

It has always been USAID/Belgrade's policy to establish open and communicative relations with its partners in Yugoslavia. In fact, contacts and working relationships were strong prior to hostilities. Unfortunately, however, it is currently unknown how the bombing will affect USAID's relationship with its indigenous development partners. It will be incumbent on USAID staff and program partners to reach out to these groups when it is safe. USAID will need to work in cooperation with its partners to achieve success in this strategic objective. USAID hopes that the strength of common goals in the past will be enough to bridge the gap that exists today. Please refer to the section I E for further discussion of the role of other donors.

## **7 Sustainability**

Sustained democracy in Serbia will require our intense efforts over a minimum of the next three years and, more likely, through two to three republic and federal wide election cycles. Legislative and media reform will be critical initially to create the environment in which reforms can be sustainable. Training activities in all key areas of democracy reform, carried out directly by donor programs and by the institute, will serve to build an ever-larger local constituency for continued reform. Finally, to further support the foundation for sustainability, assistance will be undertaken in cooperation and coordination with development partners as well as newly formed or reformed government agencies.

# **IV RESOURCE REQUIREMENTS**

## **A Program Budget**

Our proposed program budget for FY 2000-2002, including differentiation among program areas (Kosovo, Montenegro, Serbia) and among strategic objectives and activities, is attached as Annex II.

While presenting our budget allocations within the OYB levels provided for this purpose by ENI/PCS, we have also described new requirements for each category of program intervention which better reflect current information about the magnitude of assistance requirements. These updated estimates, being based on current and, therefore, still-incomplete information, will need to be the subject of ongoing reassessment and adjustment when access and other conditions permit.

## **B Management Requirements**

Our proposed OE budget for FY 2000 is attached as Annex III. It draws on the FY 1999-2000 OE budget revision prepared by the Mission in coordination with ENI/OIM prior to the current crisis. In view of the many operational uncertainties which we face at this time, and the extraordinary range of possible security, programmatic and other assumptions on which OE planning could be based, the attached projection for FY 2000 is the best estimate the Mission can provide.

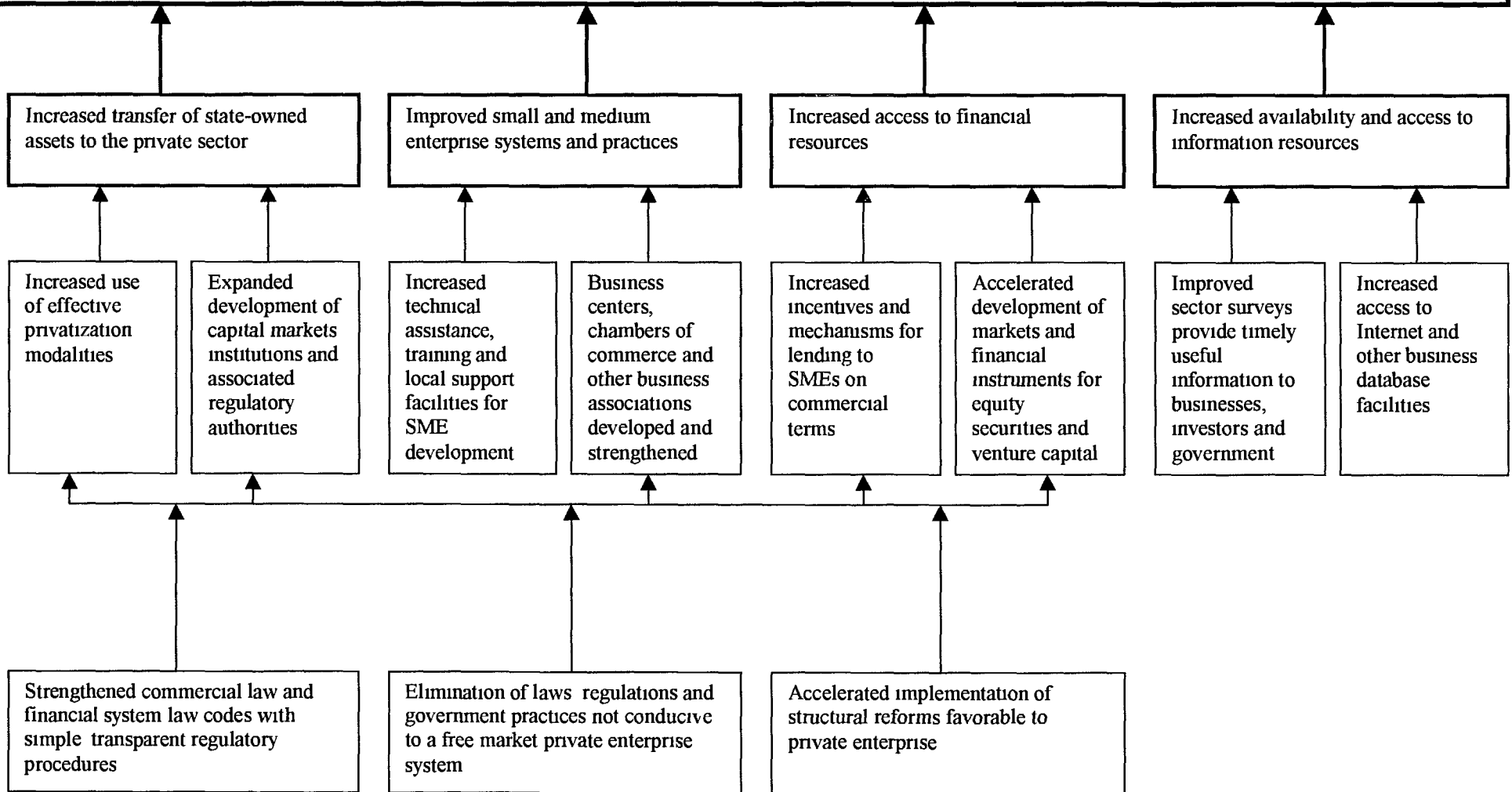
Similarly, our workforce projections remain subject to a wide range of assumptions regarding our access to and ability to operate in the three operational areas described in our program strategy. As feasible, we would seek to establish the management structure described in the draft staffing pattern developed in February and March of this year. This would entail an enhanced Mission staff, a significantly enlarged management presence in Kosovo, and an initial coordination office in Montenegro. For the short term, we would seek to fill the two additional USDH positions which are currently frozen: the Program Officer position for the Mission and the GDO Kosovo Office Director position. Additional immediate staff requirements needs would almost certainly need to be filled through USPSC recruitments.

A final management issue, which will need to be the focus of discussion during the strategy review, is the status and possible future role of the Mission-in-exile.

**ANNEX I**

**RESULTS FRAMEWORK**

### SO 1 3 Accelerated Growth and Improved Performance of Private Enterprise in Montenegro



SO 2 1

STRENGTHENED MORE PLURALISTIC DEMOCRATIC POLITICAL CULTURE IN SERBIA

SO 2 1 1 Legal system that sustains democratic process

SO 2 1 2 Increased public policy analysis and reporting by independent media

SO 2 1 3 More effective political advocacy of Civil Society NGOs

So 2 1 4 Capability of political parties to present their message increased

SO 2 1 5 More effective responsive and accountable local government

Improved judicial and political skills and abilities developed at republic level

More impartial/credible electoral procedures and administrative practices adopted

Legal framework revised

Improved legal regulatory and commercial environment to promote free independent media operations

Quality of reporting and management of independent media enhanced

Civil Society NGO coalitions developed and sustained

Civil society NGO constituencies needs and concerns represented at local and republic levels

Increased sustainability of civil society NGOs

Membership base and constituency responsiveness of political parties increased

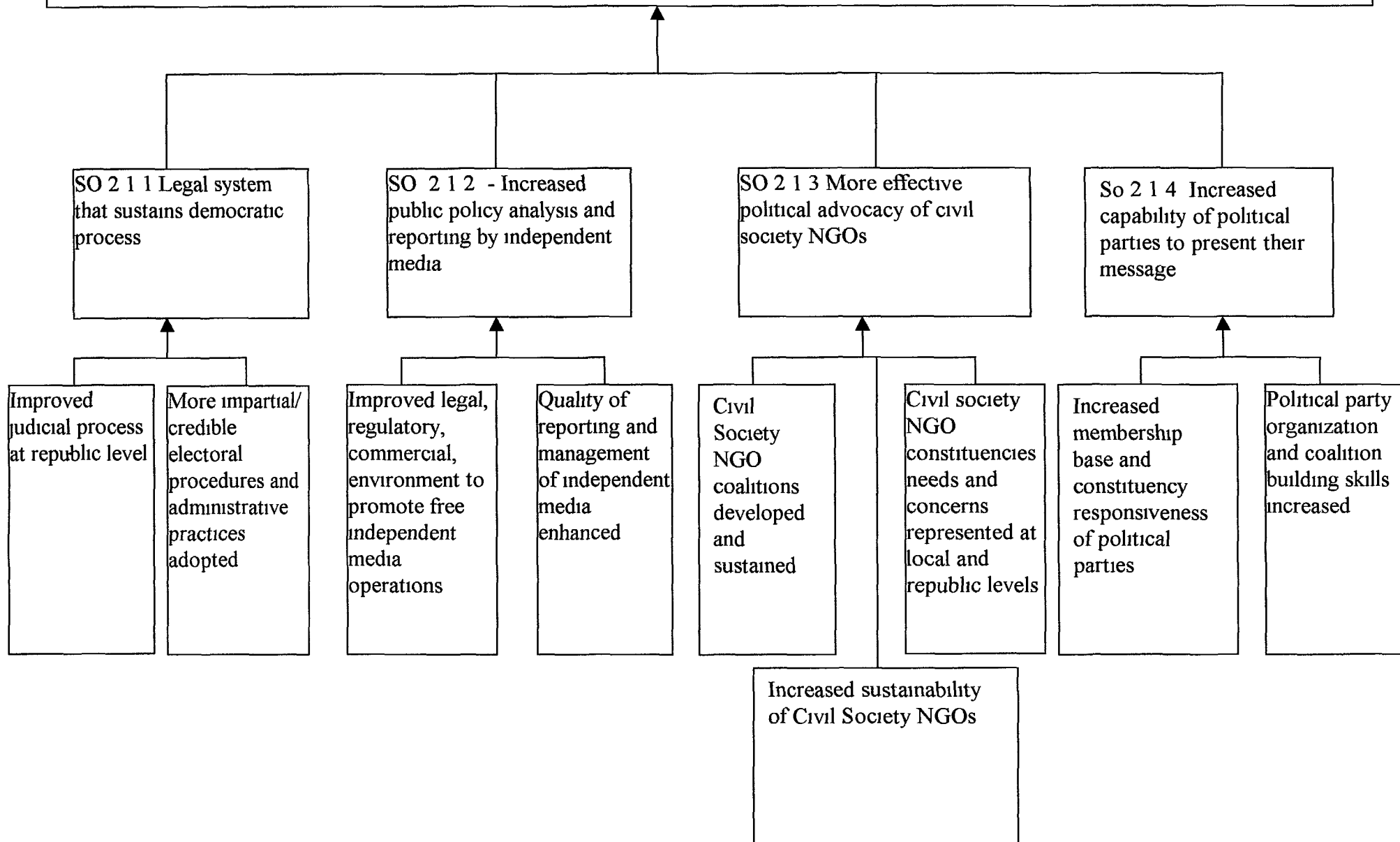
Political party organization and coalition building skills increased

National association of municipalities strengthened

Local government management capacity increased

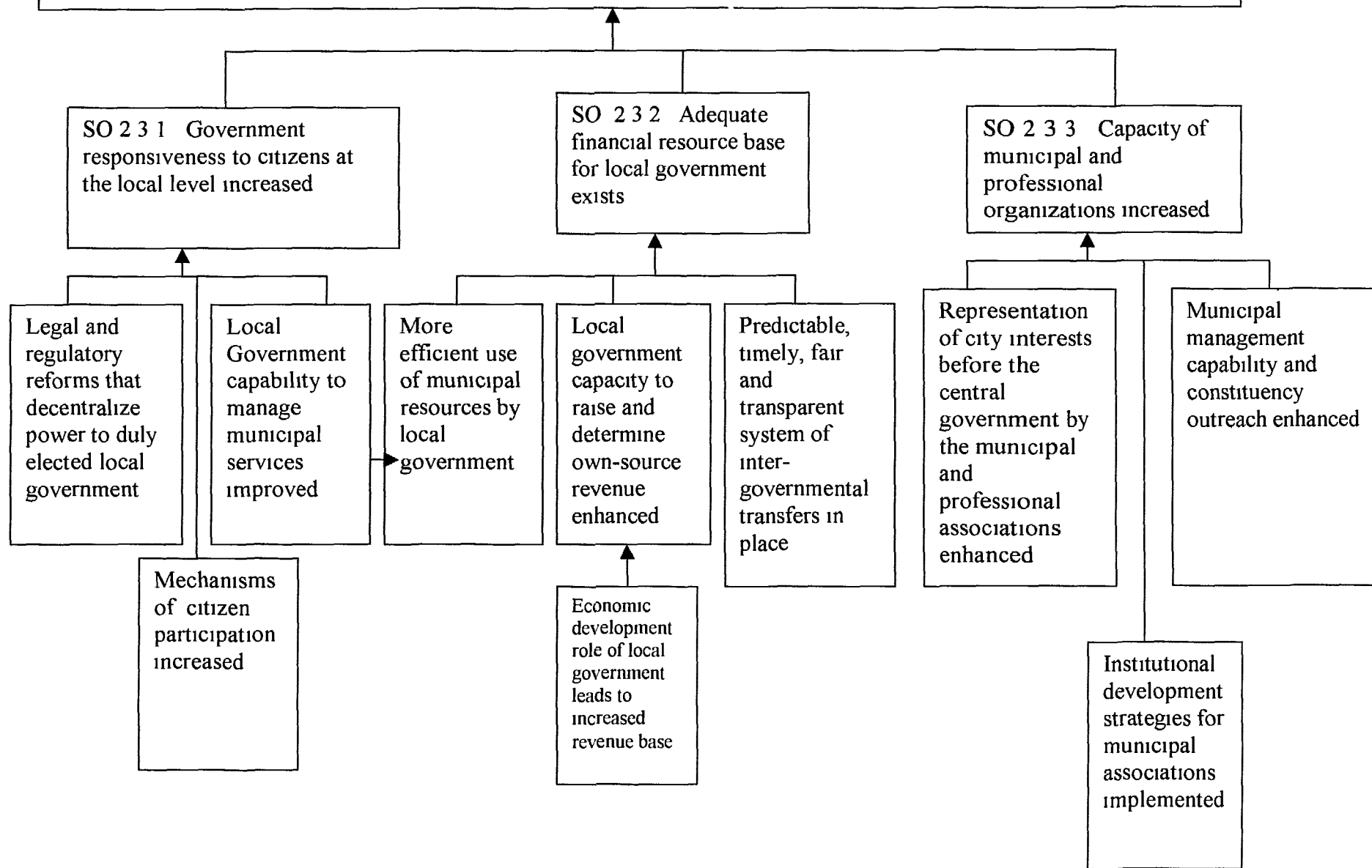
Legal and regulatory reforms that decentralize power to duly elected local government

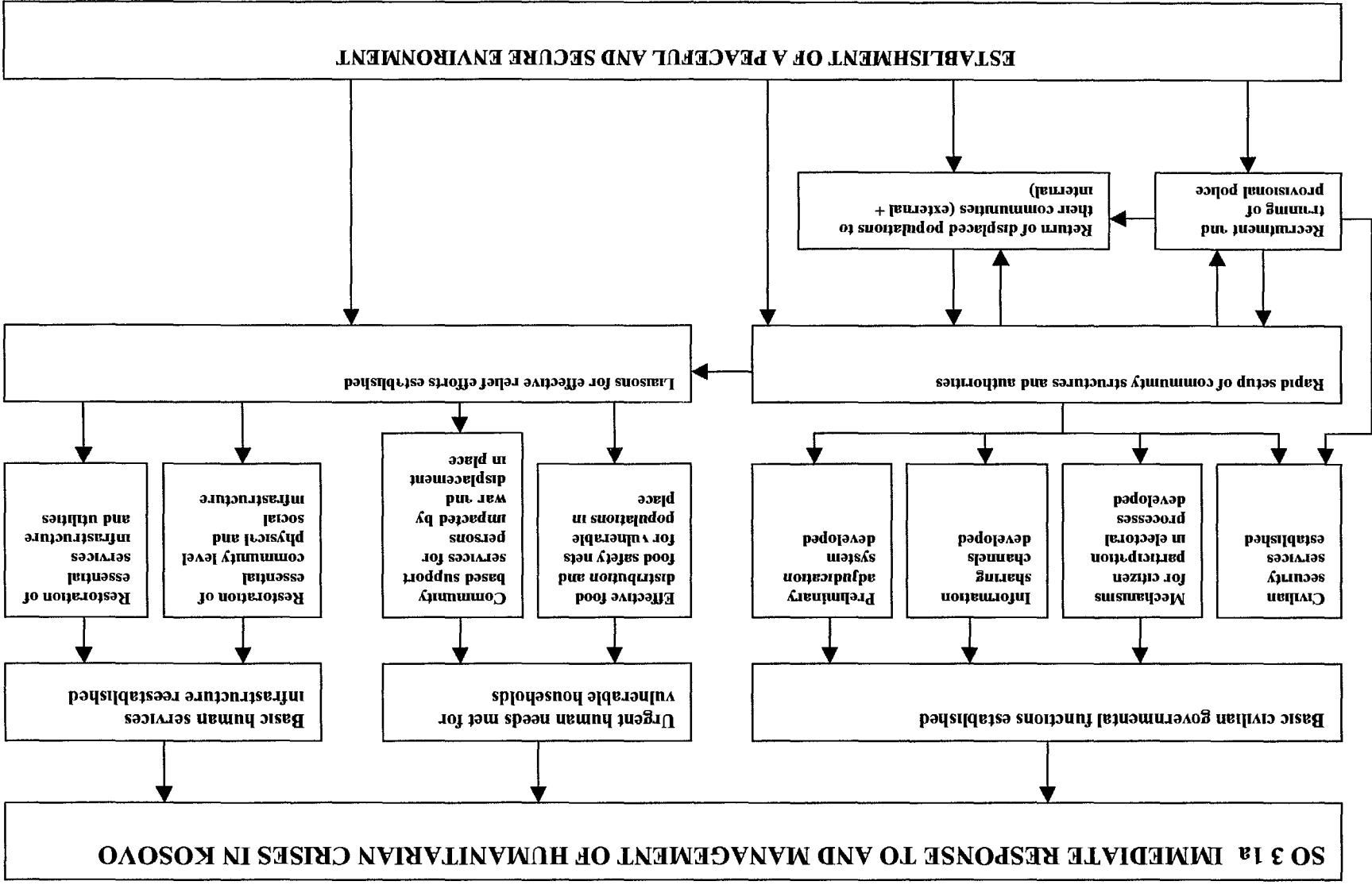
SO 2 1      STRENGTHENED MORE PLURALISTIC DEMOCRATIC POLITICAL CULTURE IN MONTENEGRO



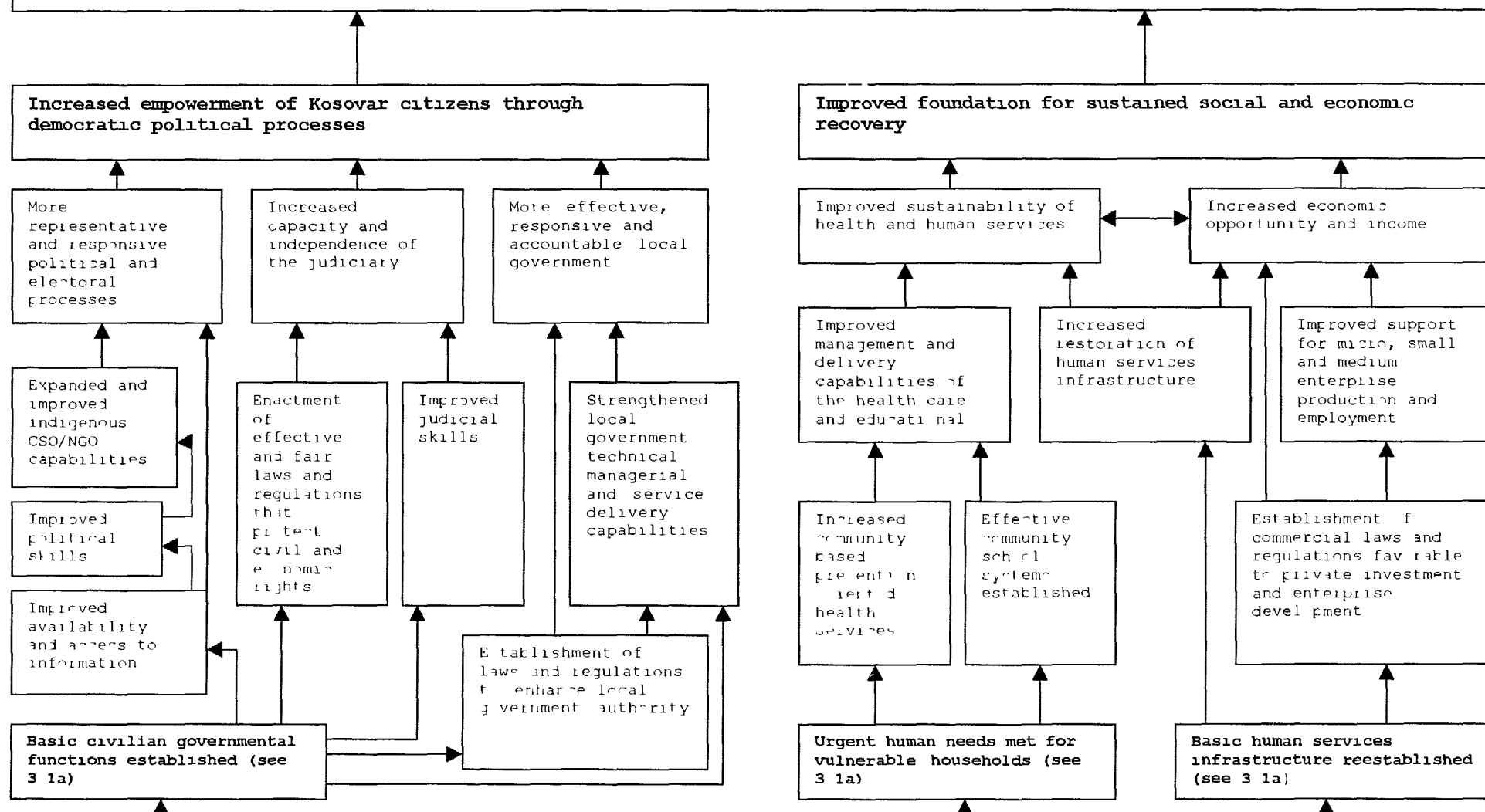


SO 2 3 MORE EFFECTIVE, RESPONSIVE AND ACCOUNTABLE LOCAL GOVERNMENT IN MONTENEGRO





## SO 3 1b Improved Response to and Management of Humanitarian Crises in Kosovo



Establishment of a peaceful and secure environment

**ANNEX II**

**PROPOSED PROGRAM BUDGETS**

**Proposed USAID Belgrade Budget Summary  
Strategic Objective Plans**

(thousands of dollars)

PLAN	SO	FY 2000		FY 2001		FY 2002		TOTALS		SUM
		BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	
KOSOVO	3 1a Immediate Response Humanitarian Crises	20,000	50,000	18,000	31,000			38,000	81,000	119,000
	3 1b Improved Response Humanitarian Crises	8,500	43 000	26,000	49,000	44 000	40,000	78 500	132,000	210 500
	4 2 Crosscutting	3,000	2,000	2,000		2,000		7,000	2 000	9,000
	Transfers	1,000	1,000	1,000		1,000		3,000	1,000	4,000
	Sub-total for Kosovo	32 500	96,000	47 000	80,000	47,000	40,000	126,500	216,000	342,500
MONTENEGRO	1 3 Private Sector	4,300	3,000	8,000		8 300		20 600	3,000	23,600
	2 1 Citizen Participation	2,000		3 000		3 000		8,000		8,000
	2 3 Local Government	1,000		1 000		1 000		3,000		3,000
	4 2 Crosscutting	900	500	900		900		2,700	500	3,200
	Transfers	400		700		800		1,900		1 900
	Budget Support to GOM				20,000		10,000		30 000	30,000
	Sub-total for Montenegro	8 600	3,500	13 600	20 000	14,000	10 000	36 200	33,500	69,700
SERBIA	2 1 Citizen Participation	11,500		11,750		11 250		34,500		34,500
	4 2 Crosscutting	1,400	500	1,650		1,500		4,550	500	5,050
	Transfers	1,000		1,000		1 250		3,250		3,250
	Sub-total for Serbia	13,900	500	14 400		14,000		42,300	500	42,800
TOTAL		55,000	100,000	75 000	100 000	75,000	50,000	205,000	250,000	455 000

**Proposed USAID Belgrade Budget  
Strategic Objective Plan for Kosovo**

(thousands of dollars)

SO	Activity Description	FY 2000		FY 2001		FY 2002		TOTALS		SUM
		BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	
3 1a Immediate Response										
	Basic civilian gvtl functions	5,000	10 000	7 000	6,000			12,000	16 000	28 000
	Meeting urgent human needs	7 000	18,000	6 000	8 000			13 000	26,000	39,000
	Human services infrastructure	8,000	22 000	5,000	17,000			13,000	39 000	52 000
3 1b Improved Response										
	Political and electoral processes	2 500	8 000	8,000	4 000	6 000	2,000	16 500	14,000	30,500
	Rule of law	1,000	2 000	2 000	2,500	2 000		5,000	4 500	9,500
	Local government		6,000	4 000	9 500	8,000	13 000	12 000	28,500	40,500
	Health and human services	1 000	12 000	2,000	8 000	11 000		14 000	20 000	34,000
	Economic opportunity and income	4,000	15,000	10 000	25,000	17,000	25,000	31,000	65,000	96 000
4 2 Crosscutting										
	Participant training	1,000		1 000		1 000		3,000		3 000
	AEPS	2 000	2,000	1,000		1,000		4 000	2,000	6,000
Transfers		1,000	1 000	1 000		1 000		3,000	1 000	4 000
Sub-total for Kosovo		32 500	96 000	47,000	80 000	47 000	40,000	126,500	216,000	342 500

**Proposed USAID Belgrade Budget  
Strategic Objective Plan for Montenegro**

(thousands of dollars)

SO	Activity Description	FY 2000		FY 2001		FY 2002		TOTALS		SUM
		BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	
1 3 Private Sector										
	Privatization	500						500		500
	Institutional strengthening	800		1,000		1,000		2,800		2 800
	Micro and SME lending	1 000	2,000	4,000		4,000		9,000	2,000	11,000
	Agricultural development	500		1,000		800		2,300		2 300
	GOM reform assistance	1,500	1,000	2,000		2,500		6 000	1 000	7,000
2 1 Citizen Participation										
	Rule of law	500		500		500		1,500		1,500
	NGO development	500		1,000		1,000		2,500		2,500
	Political and social process	1,000		1,500		1,500		4,000		4,000
2 3 Local Government										
	Local government/public admin	1,000		1,000		1,000		3,000		3,000
4 2 Crosscutting										
	Participant training	500		500		500		1 500		1 500
	AEPS	400	500	400		400		1,200	500	1,700
Transfers		400		700		800		1,900		1 900

6

**Proposed USAID Belgrade Budget  
Strategic Objective Plan for Serbia**

(thousands of dollars)

SO	Activity Description	FY 2000		FY 2001		FY 2002		TOTALS		SUM
		BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	BGT	ADDL R	
2 1 Citizen Participation										
	Rule of law	1 000		1 000		1,000		3 000		3 000
	Political and social process	2 000		1,750		1 750		5 500		5 500
	Independent media	5,000		5 000		5 000		15,000		15 000
	NGO development	1,500		2 000		1 500		5 000		5,000
	Local government/public admin	2,000		2,000		2 000		6 000		6 000
4 2 Crosscutting										
	Participant training	1 000		1,000		1 000		3 000		3,000
	AEPS	400	500	650		500		1,550	500	2 050
Transfers		1 000		1 000		1,250		3 250		3 250
Sub-total for Serbia		13,900	500	14 400		14,000		42,300	500	42 800



**ANNEX III**

**OPERATING EXPENSE BUDGET**

**Kosovo OE Supplemental  
USAID/FRY  
(Belgrade, Kosovo & Montenegro)**

	<b>FY 1999</b>	<b>FY 2000</b>	<b>TOTAL</b>
USDH (Post Assign/Educ Allow)	\$180,000	\$270,000	\$450,000
USPSC's Salaries & Benefits	\$170,000	\$260,000	\$430,000
FSN's Salaries & Benefits	\$310,000	\$520,000	\$830,000
Travel (Evacuation, HL, R&R, Training, TDY's)	\$125,000	\$170,000	\$295,000
Residential Rents	\$240,000	\$350,000	\$590,000
Residential Furn & Equip (w/Generators)	\$120,000	\$150,000	\$270,000
Residential Utilities, Repairs/Maint	\$85,000	\$100,000	\$185,000
Office Rents	\$25,000	\$70,000	\$95,000
Office Renovation & Maint	\$325,000	\$70,000	\$395,000
Office Furn & Equipment	\$170,000	\$50,000	\$220,000
Office Comm, Utilities, Security	\$100,000	\$150,000	\$250,000
Supplies & Other Office Support	\$50,000	\$70,000	\$120,000
Vehicles	\$100,000	\$70,000	\$170,000
ICASS	<u>\$200,000</u>	<u>\$400,000</u>	<u>\$600,000</u>
Subtotal	\$2,200,000	\$2,700,000	\$4,900,000
ENI/W, OTI, FFP, Global & RSC Hungary Support	<u>\$200,000</u>	<u>\$300,000</u>	<u>\$500,000</u>
<b>TOTAL</b>	<b>\$2,400,000</b>	<b>\$3,000,000</b>	<b>\$5,400,000</b>
	=====	=====	=====

NOTE The above is based on best estimates of anticipated program levels and methods of implementation This assumes 6 USDHs or OE funded USPSCs at the end of FY 99 being increased to 9 during FY 2000 FSNs are budgeted at 13 for FY 99 and 20 for FY 2000 This OE staffing compares to Bosnia which has an OE budget of \$3 5 million with 12 OE funded Americans and 54 FSNs